Annual Report
2024

BNH

Protecting Prosperity™

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

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom
of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince and Prime
Minister of the Kingdom of Bahrain

SCAN TO VIEW
DOCUMENT

Bahrain National Holding B.S.C.
Minutes of Annual Ordinary General Assembly
meeting held on 26 March 2024

Contents

A Tribute to the Late Chairman

Farooq Yusuf Almoayyed
1944 – 2024
Chairman 2008 - 2024

Amid the unfortunate passing of our former Chairman, we take great pride in paying tribute to the visionary leadership of our esteemed former Chairman, Mr. Farooq Yusuf AlMoayyed.

For decades, Mr. AlMoayyed has exemplified the true essence of leadership—guiding BNH through dynamic market conditions with unwavering commitment, integrity, and foresight. Under his stewardship, the company has not only experienced remarkable growth but has also cemented its role as a cornerstone of the financial landscape in Bahrain. His deep understanding of the industry, combined with his dedication to excellence, has inspired confidence within the organization, as well as the broader business community.

Mr. AlMoayyed's impact extends beyond the walls of BNH. His vision and leadership have contributed significantly to the economic development of Bahrain. As a leading figure in Bahrain's corporate sector, he has been a driving force behind key initiatives that support the country's financial growth and diversification. His involvement in various industries and community-driven projects has helped shape Bahrain's future as a hub for business and innovation. His commitment to corporate social responsibility and sustainability aligns with the nation's broader goals for sustainable development and prosperity.

Mr. AlMoayyed's passion for innovation and his focus on corporate sustainability have positioned BNH to thrive in an ever-evolving market. His leadership has fostered a culture of collaboration and continuous improvement, ensuring that BNH remains at the forefront of the insurance and investment sectors.

As we move into a new chapter, we are reminded of the remarkable legacy Mr. AlMoayyed has built, one grounded in respect, trust, and a commitment to the long-term success of BNH. His exceptional guidance continues to shape our path forward, and for that, we extend our deepest gratitude and admiration.

Group Overview

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

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

BNH’s Portfolio includes:

Subsidiaries:

- Bahrain National Insurance Company B.S.C. (c).
- Bahrain National Life Assurance Company B.S.C. (c).
- iAssist Middle East W.L.L.

Associates:

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

Vision

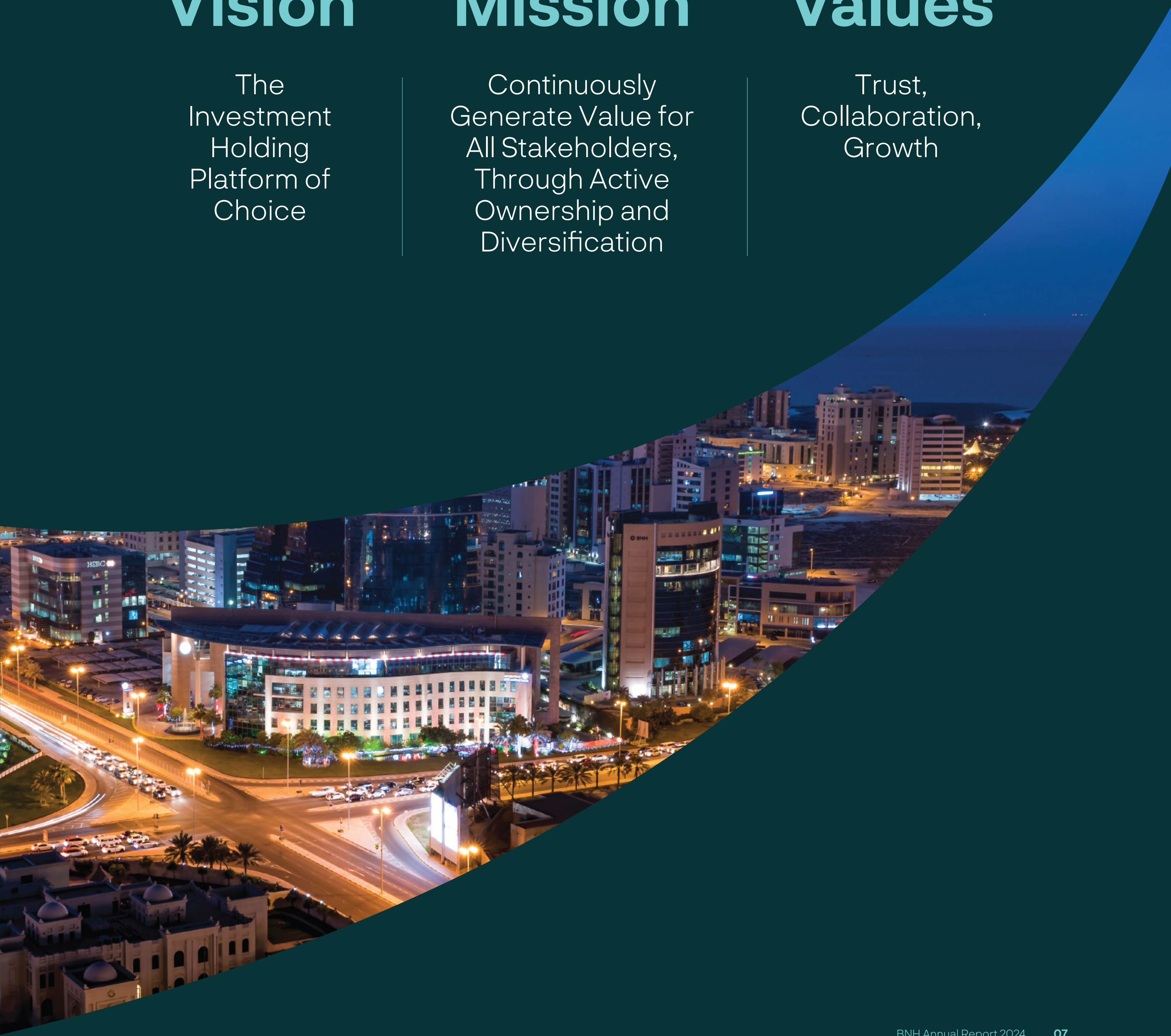
The Investment Holding Platform of Choice

Mission

Continuously Generate Value for All Stakeholders, Through Active Ownership and Diversification

Values

Trust, Collaboration, Growth



Financial Highlights

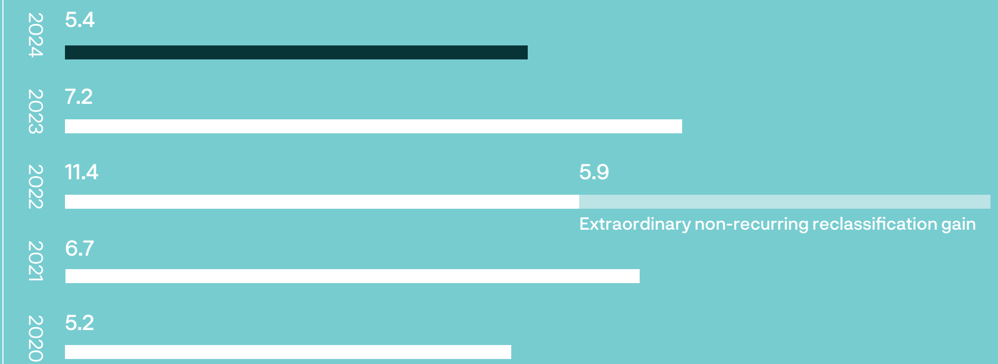
Market Capitalisation

BD 60.2 Million

Shareholders' Equity

BD 72.1 Million

Net Profit



BD 5.4 Million

Earning per Share (in Fils)

43 Fils

Board of Directors

Farooq Yusuf Almoayyed
Late Chairman

Since 2008 - 2024

Abdulhusain Khalil Dewani
Chairman

Date of Appointment
Appointed Chairman in 2024
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)
- 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 Collection W.L.L., Bahrain
- Chairman of Capital Laundry W.L.L.
- Chairman of Legend Paints Company W.L.L., Bahrain
- Chairman of Tomina Trading W.L.L., Bahrain
- Chairman of Bahrain Surface Coating Company W.L.L.
- Chairman of Bahrain Foundation Construction Company, Bahrain
- Chairman of Delmon Poultry Company W.L.L., Bahrain

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

Ghassan Qasim Fakhroo
Vice Chairman

Date of Appointment
Appointed Vice Chairman in 2024
Board Member since 2008

Status
Non-Executive Director

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

Nationality
Bahraini

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

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

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 of UNEECO B.S.C. (c)
- Chairman of Prudent Solutions W.L.L.
- Chairman of Universal Laboratories W.L.L
- Chairman of Prudent, Saudi Arabia J/V
- Director at Bin Juma Holdings

Jehad Yusuf Ameen
Director

Date of Appointment
Board Member since 1999

Status
Independent Non-Executive Director

Nationality
Bahraini

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

Board memberships in other companies
- 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

Sami Mohamed Sharif Zainal
Director

Date of Appointment
Board Member since 2008

Status
Non-Executive Director

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

Nationality
Bahraini

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

Board memberships in other companies
- Chairman of General Poultry Company, Bahrain.
- Vice Chairman – Bahrain Food Holding Company (Ghitha)
- Director at Zainal Enterprises, Bahrain
- Director at National Poultry Company
- Marketing Director of Mohamed Ali Zainal Abdulla (MAZA), Bahrain

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

Board of Directors

Sameer Ebrahim AlWazzan
Director

Date of Appointment
Board Member since 2024

Status
Non-Executive Director

Educational Background
- Higher Diploma - Swansea Polytechnic, UK
- BSc. Huddersfield Polytechnic, UK
- Diploma in Executive Management - University of Bahrain
- Executive Development Program - Manchester Business School
- Executive program for small companies - Graduate School of Business Stanford University

Nationality
Bahraini

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

Board memberships in other companies
- Vice Chairman - United Insurance Co. B.S.C
- Vice Chairman - Arabian Shield Cooperative Insurance Co. - Saudi Arabia

Ali Hasan Mahmood
Director

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

Status
Non-Executive Director

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

Nationality
Bahraini

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

Ayad Saad Algosaibi
Director

Date of Appointment
Board Member since 2008

Status
Independent Non-Executive Director

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

Nationality
Bahraini

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

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

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 membership in other companies
- Chairman of National Finance House B.S.C. (c), Bahrain
- Managing Director of E. K. Kanoo B.S.C (c), Bahrain

Abbas Abdul Mohsen Radhi
Director

Date of Appointment
Board Member since 2023

Status
Independent Non-Executive Director

Educational Background
- Certified Public Accountant (CPA)- USA
- Certified Arab Accountant
- Certificate by INSEAD as a Board Director with a high level of Corporate Governance Competence
- M.B.A. Financing & Business Law, University of Maine, USA
- M.S.B. Accounting, Husson College, Maine, USA
- BSc. Accounting, Kuwait University

Nationality
Bahraini

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

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

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

Husain Abdulhameed Al Shehab
Director

Date of Appointment
Board Member since 2023

Status
Independent Non-Executive Director

Educational Background
- Master in International Business Management, Leeds Metropolitan University, United Kingdom
- BEng (Hons) Mechanical Engineering University of Bradford, United Kingdom
- Leaders for Democracy Fellowship, Syracuse University, USA
- Executive Education Sustainable Business Strategy, Harvard University
- GCC Board of Directors Institute, Best Practices or Audit & Risk Committees
- GCC Board of Directors Institute, Building Better Boards: Global Best Practices
- Associate Value Specialist, SAVE International

Nationality
Bahraini

Board & Committee memberships at BNH Group
- Director at Bahrain National Life Assurance Company (bnl)
- Member of the Nomination, Remuneration & Governance Committee (NRGC) – Bahrain National Life Assurance Company (bnl)

Board membership in other companies:
- Board Member, Gulf Hotel Group B.S.C.
- Board Member, Delmon Poultry Company B.S.C.
- CEO at Growth Consultancy and Management
- Founder of Vorganica Perfumes
- Founder of Dukan Café

Board of Directors' Report

Abdulhusain Khalil Dewani
Chairman

Over the past year, we have made significant progress in executing our long-term growth strategy, positioning the company for sustained value creation and enhanced total shareholder returns.

Dear Shareholders

On behalf of the Board of Directors of Bahrain National Holding B.S.C. ("BNH") we are pleased to present the annual report for the year ended 31 December 2024, highlighting the Group's annual performance.

Tribute to Our Late Chairman, Farooq AlMoayyed

It is with deep sorrow and profound respect that we acknowledge the passing of our esteemed Chairman, Farooq AlMoayyed, whose leadership, vision, and unwavering commitment laid the foundation of this company.

Farooq AlMoayyed was not only the cornerstone of our corporate success, but also a guiding force behind the growth of each individual within the organization. His dedication to excellence, integrity, and innovation inspired us all to push boundaries and achieve new heights. Throughout his tenure, he demonstrated an exceptional ability to navigate challenges with grace and strategic insight, leaving an indelible mark on the company's legacy.

Under his stewardship, we achieved significant milestones, and the values he instilled in us continue to guide the direction of our business. His leadership was characterized by a rare blend of wisdom, empathy, and decisiveness. He believed in the power of teamwork and fostered an environment where collaboration and respect were paramount.

While his loss is deeply felt, we are determined to honor his memory by upholding the principles he held dear. As we move forward, we remain committed to advancing the vision he set in motion, striving for excellence, and making a meaningful impact on the communities we serve.

Economic Overview of Bahrain – 2024

Bahrain's economy is anticipated to remain resilient, bolstered by continuous efforts to diversify beyond oil dependency. The Government's "Economic Vision 2030" continue to be a cornerstone of economic policy, with a clear emphasis on developing non-oil sectors such as finance, tourism, information technology, and manufacturing. This strategy is anticipated to gain further traction in the coming year, positioning Bahrain as a leading regional hub for financial services, particularly in fintech. Investments in digital banking and technological infrastructure are likely to further strengthen this trajectory, providing long-term growth opportunities for the country.

While the oil sector continues to play a role in Bahrain's economy, it is no longer the dominant driver of growth. The government has been proactive in enhancing its oil production capabilities, but challenges related to global energy transitions and fluctuations in oil prices persist. These external factors will remain influential, yet Bahrain's diversification initiatives are expected to buffer the economy against significant volatility in global oil markets.

Board of Directors' Report
(Continued)

Bahrain's financial sector remains a key pillar of its economy, with the country's banking industry well-established as a regional leader, particularly in Islamic finance. The Central Bank of Bahrain continues to focus on strengthening the regulatory environment, and, alongside significant investments in fintech, is expected to drive further growth in the sector.

Geopolitical stability remains a key strength for Bahrain, providing a secure and predictable environment for investment. This stability, coupled with a strong regulatory framework, continues to attract foreign capital, particularly in the financial services and real estate sectors. Bahrain's position as a reliable base for businesses seeking to expand into the Middle East further supports its long-term economic growth prospects.

In summary, Bahrain's economic outlook remains positive, supported by ongoing diversification efforts, robust financial sector, and strategic investments in tourism and technology. While challenges such as oil price volatility and inflationary pressures persist, Bahrain's long-term economic trajectory is poised for continued growth, presenting attractive opportunities for investment.

BNH Financial Performance

Our financial performance in 2024 was impacted by lower insurance service results and nonrecurring adjustments from the previous year. Net profit decreased by 26% year-on-year, to BD 5.36 million from BD 7.23 million in the previous year.

Total comprehensive income declined to BD 6.15 million from BD 8.48 million in the previous year. Total comprehensive income attributable to the parent company amounting to BD 5.94 million, compared to BD 8.12 million in 2023.

Despite the growth of insurance revenue by 20% in 2024, the insurance service results declined due to increased claims and insurance service expenses. Nevertheless, our profitability remained supported by higher investment income from the fixed income portfolio and increased profits from our associate companies. This year has demonstrated the extent of resilience BNH has achieved through its strong financial position and diversified portfolio management.

Based on our 2024 performance and strong capital position, we have recommended a dividend payout to our shareholders of 35 fils per share, consistent with the previous year's dividend distribution.

Strategic Developments and Growth Initiatives

Over the past year, we have made significant progress in executing our long-term growth strategy, positioning the company for sustained value creation and enhanced total shareholder returns.

A notable highlight of the year was the acquisition of a 25% stake in bnl, increasing our ownership to 100%. This will further enable bni and bnl to drive synergies and capitalize on new opportunities.

In line with our commitment to growth, we also announced the acceptance of a binding offer for the acquisition of 100% of the issued share capital of bni and bnl, from Solidarity Group Holding, following the successful completion of the confirmatory due diligence process.

As we look ahead, the Board of Directors and Management are actively formulating a new strategic roadmap designed to accelerate growth, deepen our market presence, diversify our portfolio of investments and income sources, and further enhance shareholder value. This strategy will focus on optimizing existing assets, pursuing high-potential investments, and ensuring adaptability in a fast-evolving business environment. Our goal is to continue delivering strong returns to our shareholders while positioning BNH for future success.

We remain committed to creating lasting value and are excited about the opportunities that lie ahead.

Board of Directors’ Report
(Continued)

Remunerations of the Board Members and Senior Executives

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

	Fixed remunerations					Variable remunerations							
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD (proposed)	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors:													
1 Farooq Yusuf Almoayyed	-	6,200	-	1,617	**7,817**	20,000	-	-	-	**20,000**	-	**27,817**	-
2 Jehad Yusuf Amin	-	9,500	-	1,767	**11,267**	10,000	-	-	-	**10,000**	-	**21,267**	-
3 Ayad Saad Algosaibi	-	8,000	-	601	**8,601**	10,000	-	-	-	**10,000**	-	**18,601**	-
4 Abbas Abdulmohsen Radhi	-	8,600	-	1,617	**10,217**	10,000	-	-	-	**10,000**	-	**20,217**	-
5 Hussain Alshehab	-	5,000	-	601	**5,601**	10,000	-	-	-	**10,000**	-	**15,601**	
Second: Non-Executive Directors:													
1 Abdulhussain Khalil Dewani	-	7,000	-	1,617	**8,617**	10,792	-	-	-	**10,792**	-	**19,409**	-
2 Abdulrahman Mohamed Juma	-	7,500	-	1,767	**9,267**	10,000	-	-	-	**10,000**	-	**19,267**	-
3 Sami Mohamed Sharif Zainal	-	7,500	-	1,601	**9,101**	10,000	-	-	-	**10,000**	-	**19,101**	-
4 Ghassan Qassim Fakhroo	-	8,000	-	1,751	**9,751**	10,000	-	-	-	**10,000**	-	**19,751**	-
5 Ali Hasan Mahmood	-	5,000	-	1,617	**6,617**	10,000	-	-	-	**10,000**	-	**16,617**	-
6 Talal Fuad Kanoo	-	5,000	-	601	**5,601**	10,000	-	-	-	**10,000**	-	**15,601**	-
7 Sameer AlWazzan	-	-	-	-	**-**	-	-	-	-	-	-	**-**	-
Third: Executive Directors:													
-	-	-	-	-	**-**	-	-	-	-	-	-	**-**	-
Total	**-**	**77,300**	**-**	**15,157**	**92,457**	**120,792**	**-**	**-**	**-**	**120,792**	**-**	**213,249**	**-**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO and CFO	591,420	307,057	52,977	**951,454**

Other remunerations:

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

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

Notes:

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

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their visionary leadership and unwavering support of the Kingdom's financial sector. We also wish to express our thanks to the ministries, institutions, and government agencies, particularly the Ministry of Industry and Commerce, the Central Bank of Bahrain, the Ministry of Finance, Tamkeen, and the Bahrain Bourse, for their valuable guidance and ongoing support.

Furthermore, we would like to acknowledge and thank our shareholders, customers, and business partners for their steadfast confidence in us. Our gratitude also goes to the Board of Directors, Executive Management, and all employees for their dedication and commitment throughout 2024.

Abdulhussain Khalil Dawani
Chairman of the Board
25 February 2025

Ghassan Qasim Fakhroo
Vice Chairman of the Board

Executive Management

Raed Abdulla Fakhri
Group Chief Executive Officer

Raed Fakhri brings over 30 years of expertise in investments, business development, and engineering. His career has seen him in several key leadership roles, including Managing Director of Local Impact Investments, Vice President of Investments at Mumtalakat, Investment Director at Capivest Investment Bank, Senior Manager at Batelco, and Engineer at Gulf Petrochemical Industries. As a Co-Founder of BDI Partners, established in 2010, Mr. Fakhri has also led the firm as its Managing Director.

Throughout his career, Mr. Fakhri has served on numerous boards, including those of Gulf Air Group, The Cranemere Group, and the American University of Bahrain. He was also Vice Chairman of the Board of Directors of BEYON and currently serves on the Board of Directors of Investrade, National Finance House (NFH), and Al Jabr Finance in Saudi Arabia.

Mr. Fakhri holds an Executive Master of Business Administration (MBA) from the University of Bahrain and a Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, USA.

Basil Ghali
Chief Financial Officer

Basil brings over 17 years of experience in finance, restructuring, and portfolio operations to BNH. Prior to joining BNH, Basil served as the Senior Director of Local Impact Investments at Mumtalakat, overseeing a portfolio of assets undergoing transformations. Before that, Basil was the Chief Financial Officer of Shoaibi Group in Saudi Arabia. Basil began his career at Macquarie Capital in London, UK, focusing on proprietary investments.

Over his career, Basil has managed assets across various industries and asset classes, from SMEs to large organisations, with a proven track record in operational turnarounds and transformations.

Currently, he sits on the boards of Al Kindi Hospital B.S.C. and iAssist Middle East W.L.L. Basil has held multiple leadership roles and board memberships in the past, including positions with BIC Holding, Bahrain International Circuit W.L.L., Al Dana Amphitheatre B.S.C., and Bahrain Flour Mills B.S.C., Gulf Customer Experience B.S.C., as well as contributing to several board committees of these entities, and others.

Basil holds a Bachelor's degree in Accounting and Finance and a Master's degree in Management, both from the London School of Economics and Political Science (LSE).

Ahmed Al-Aseeri
Chief Investment Officer - Private Equity

Ahmed Al-Aseeri joined Bahrain National Holding in 2023 as Chief Strategy Officer and transitioned to the role of Chief Investment Officer - Private Equity in 2024. Prior to joining Bahrain National Holding, Mr. Al Aseeri was a Director at Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, where he was involved in direct investments across local, regional, and international markets.

Ahmed has over 17 years of experience in consulting and investment management, with a track record of investments in startups, greenfield projects, mature companies, and turnarounds of distressed assets. He started his career at KPMG and then progressed across roles in real estate and private equity investments at Investate, Oasis Capital, and Mumtalakat, before his current role at Bahrain National Holding. Throughout his career, he has managed assets and executed transactions from inception through to successful exits, and implemented value creation plans to drive growth and improve performance across portfolio companies.

Ahmed has served on several boards and board committees, including as Chairman of Southern Tourism Company (now rebranded as Masar), and as a Board Member of Silah Gulf, The Royal Golf Club, FAI rent-a-jet, Mueller Middle East, and others. He currently serves on the board of National Finance House.

He holds a Bachelor's degree in Computer Science from Trinity College Dublin and an MBA from Cass Business School.

Anand Subramaniam
Chief Investment Officer - Marketable Portfolio

Anand Subramaniam is an investment professional with over 30 years of experience in portfolio management. Before joining Bahrain National Holding Company, Mr. Subramaniam held leadership positions at leading financial institutions in Bahrain and Oman, where he established asset management functions and managed portfolios across regional equities, fixed income, and alternative investments. Since joining Bahrain National Holding in 2010, Mr. Subramaniam has successfully managed and grown the Group's investment portfolio while overseeing its finance and treasury functions.

He began his career as an equity researcher in India, focusing on the information technology, banking, and cement sectors. He built a proven track record of delivering consistent investment performance through market cycles.

Mr. Subramaniam holds the Chartered Financial Analyst (CFA) designation from the CFA Institute and the Chartered Alternative Investment Analyst (CAIA) designation from the CAIA Association, in addition to an MBA from Sardar Patel University, India.

Ali Almusawi
Director, Investments - Private Equity

Ali Al Musawi is Bahrain National Holding Company's Director of Investments – Private Equity. He brings over a decade of experience in direct investments, portfolio management, and value creation across diverse sectors.

Prior to joining BNH, Mr. Al Musawi held key roles at Bahrain Mumtalakat Holding Company, where he was responsible for strategic investments, business transformations, and portfolio oversight. Throughout his career, he has played a key role in evaluating investment opportunities, executing turnaround strategies, and overseeing portfolio company performance. He has also led transformation initiatives that enhanced performance and unlocked value across portfolio companies.

Mr. Al Musawi holds the CFA® and CAIA® designations and earned a Bachelor of Science (Honours) in Economics from University College London (UCL).

Dr. Maryam AlAhmed
Director - Corporate Services

Dr. Maryam Alahmed joined Bahrain National Holding Company in July 2021. She holds a Bachelor's degree in Computer Science and a Master's in Human Resources Management from DePaul University. Before joining Bahrain National Holding, Dr. AlAhmed served as HR & Admin Manager at Seef Properties and as Assistant HR Manager at KFHB. Her career in HR began in 2003 as a Career Counselor at the University of Bahrain's Career Counseling Office, where she later specialized in Organizational Culture Development and Talent Management at Batelco.

In addition to her corporate roles, Dr. AlAhmed has also explored consulting and academic lecturing. She recently earned her PhD in Innovation from Arabian Gulf University (AGU), with research focused on "The Impact of HR Practices on Innovative Work Behavior."

Executive Management
(Continued)

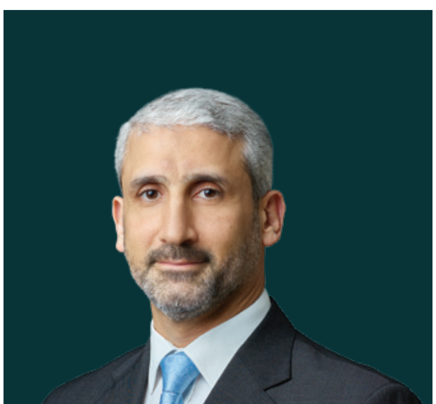
bni

A wholly owned subsidiary of BNH

Eman Mojali
Chief Executive Officer

Rayan Al Mahmood
Deputy Chief Executive Officer

Mohamed Al Meraj
Chief Operating Officer



Hasan Al Shehabi
Director - Survey, Quality Assurance and General Insurance Claim

A wholly owned subsidiary of BNH

Enas Asiri
Chief Executive Officer

Eman AlGhanami
Chief Medical Insurance Officer

Omar Al Aseeri
Chief Life Insurance Officer

Chief Executive Officer's Report

Raed Abdulla Fakhri
Group Chief Executive Officer

BNH made significant progress in executing key strategic initiatives designed to drive sustainable shareholder returns, particularly amidst the global and regional economic challenges we encountered. 2024 was a year of remarkable achievement that positions BNH for future growth.

It is with great pride that I present to you the Annual Report for Bahrain National Holding (BNH) for the fiscal year ended December 31, 2024.

A Tribute to Our Late Chairman

It is with profound sadness that I reflect on the passing of our esteemed former Chairman, Farooq AlMoayyed, who led this organization with unwavering dedication and vision for many years. Mr. Farooq was a guiding force behind our growth and success, always prioritizing innovation, integrity, and a commitment to our employees, customers, and communities.

Under his leadership, we achieved significant milestones, many of which have become the cornerstone of our continued success today. His strategic insight and compassionate approach to business will forever be ingrained in the fabric of this company. He believed in the potential of every individual within the organization and always pushed us to strive for excellence, ensuring that we not only met but exceeded expectations.

While we mourn his loss, we take comfort in knowing that Mr. Farooq had put his vision and personal touches on our recently approved strategy and had given it his blessing. The values and principles he instilled in us will continue to guide our work for years to come. As we progress, we remain dedicated to honoring his legacy, ensuring that his vision for the company lives on in every project, partnership, and achievement we pursue.

2024 Overview

As I reflect on the past year, BNH made significant progress in executing key strategic initiatives designed to drive sustainable shareholder returns, particularly amidst the global and regional economic challenges we encountered. 2024 was a year of remarkable achievement that positions BNH for future growth.

BNH's portfolio of assets continues to perform well, with our insurance portfolio demonstrating significant top-line growth and overall resilience. Our other businesses have improved profitability and contributed further to BNH's overall performance.

I am confident in the strength of our leadership team, who have been instrumental in driving our success. With a strong commitment to operational excellence and adaptability in an evolving market, we continue to uphold the highest standards of performance and accountability.

Chief Executive Officer’s Report
(Continued)

Financial Highlights

Despite a challenging operating environment, BNH successfully navigated 2024 through active portfolio management to drive overall performance, preserve shareholder value and deliver consistent total shareholder returns. This demonstrates the resilience of BNH’s portfolio of investments. With key strategic portfolio initiatives carrying over into 2025, BNH is well positioned for continued growth. We are optimistic about the future and continue to adhere to our long-term investment philosophy.

For the year 2024, the Group reported a net profit attributable to shareholders of BD 5.2 million, compared to BD 6.9 million in 2023, representing 25% decrease. BNH’s portfolio generated a total comprehensive income attributable to the shareholders of BD 5.9 million for the year ended 31st December 2024, compared to BD 8.1 million during 2023. The primary reasons for the decline in net profitability were higher claims due to increased business acquisition, rising claim costs (particularly in the Motor and Medical segments), and a one-off natural event incurred throughout the year impacting BNH’s insurance subsidiaries.

Focusing on BNH’s insurance portfolio, specifically bni and bnl, despite challenging market dynamics, such as higher overall healthcare and spare parts costs, the Motor, Medical and General insurance demonstrated strong topline momentum, with a 20% increase in insurance revenue, driven by market share growth and business development. Other insurance portfolio companies, notably UIC, achieved high profitability, benefiting from revived traffic across the King Fahad Causeway, which reached approximately 13 million vehicles.

BNH’s other portfolio companies also delivered strong results, particularly National Finance House (NFH) and Al Kindi Hospital. NFH recovered from a challenging interest rate environment in 2023, achieving approximately 70% year-on-year net profit growth in 2024. NFH is expected to continue to benefit further from anticipated interest rate cuts in 2025. Similarly, Al Kindi Hospital continued to grow its topline and bottom line, with net profitability increasing by 10% year-on-year, supported by expanded capacity and new service offerings.

Total net investment income increased to BD 3.8 million, compared to BD 3.2 million in the prior year. In the Marketable Portfolio, interest income from bonds increased by 15%, while dividend income from equity positions grew by 13%. However, distributions from real estate and private equity holdings declined as BNH reduced exposure due to valuation concerns amid market uncertainties.

BNH’s treasury function similarly delivered exceptional results from prudent liquidity management in a declining interest rate environment, generating interest income from fixed deposits and other instruments of BD 1.7 million compared to BD 1.3 million last year, an increase of 28%.

Strategic Initiatives

Throughout the year, we executed several key strategic initiatives aimed at strengthening our balance sheet and enhancing long-term value. Notably, we acquired an additional 25% stake in bnl. At the same time, we continued to optimize our portfolio by actively managing capital deployment.

As part of this approach, we agreed to the sale of bni and bnl for a total consideration of BD 75 million, in line with our disciplined portfolio management philosophy. This transaction reflects our commitment to efficient capital reallocation and prioritizing investments that align to our long-term objectives.

Overall, BNH remains agile and well-positioned to capitalize on new diversified opportunities in the future.

Future Outlook

We are mindful of the dynamic global economic landscape and its potential impact on our portfolio. Committed to executing a disciplined growth strategy, we aim to strengthen our portfolio and enhance long-term value. With a focus on high potential investments, we will seek opportunities in the Kingdom of Bahrain and the GCC region. Our active approach to portfolio management will ensure high impact capital allocation, with a strong emphasis on maximizing returns and mitigating risks. Additionally, we will leverage strategic partnerships to drive scale and resilience.

While global economic uncertainties persist, we remain optimistic about the future. As we navigate the year ahead, we will remain focused on delivering consistent growth, maintaining financial discipline and positioning BNH for continued success in an increasingly dynamic environment.

Our focus on diversification, innovation, and strategic partnerships, combined with Bahrain's promising economic outlook, will continue to drive our growth trajectory and create long-term value for our stakeholders.

I extend my deepest gratitude to our stakeholders for their continued trust and support throughout this past year. I also welcome our new Chairman, Mr. Abdulhusain Khalil Dewani, and look forward to his guidance as we embark on the next phase of our journey. Finally, I thank our Board of Directors for their valuable expertise in guiding BNH through challenges and opportunities.

Raed Abdulla Fakhri
Group Chief Executive Officer

Subsidiaries

Bahrain National Insurance
Established: **1998**
Capital: **BD 6.5 million**
BNH share: **100%**

BNI is 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: **BD 5 million**
BNH share: **100%**

BNL 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: **BD 1.2 million**
BNH share: **100%**

iAssist is a state of the art car body shop facility.

Associates

United Insurance Company
Established: **1986**
Paid-up capital: **BD 5 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: **BD 7.5 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: **BD 2.2 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: **BD 0.6** million
BNH share: **22.2%**

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

www.health360.bh

Corporate Governance

CORPORATE GOVERNANCE COMMITMENT

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

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

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

Regulatory Authorities

BNH and its subsidiaries: (Bahrain National Insurance Company B.S.C.(c) ("bni"), Bahrain National Life Assurance Company B.S.C.(c) ("bnl") and iAssist Middle East W.L.L. ("iAssist") maintained their full commitment to all applicable rules and regulations issued by the Central Bank of Bahrain and other regulatory authorities, without reporting any monetary penalties during the year 2024.

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

		Shareholding %			
#	Shareholder classification	Individuals	Corporate	Government or Organizations	Total
1	Local	56.155%	29.481%	0.229%	85.876%
2	Arab	0.528%	13.138%	-	13.666%
3	Foreign	0.091%	0.367%	-	0.458%
4	**Total**	**56.785%**	**42.986%**	**0.229%**	**100.00%**

Description of shareholders according to their Nationality

Nationality	No. of shareholders	No. of shares	% of shareholding
Bahraini	671	102,341,821	85.88%
Iraqi	3	15,617,467	13.10%
Saudi	8	562,168	0.47%
Virgin Islands (British)	1	437,881	0.37%
Indian	6	98,277	0.08%
Emarati	4	81,500	0.07%
Kuwaiti	2	15,133	0.01%
Qatari	3	10,210	0.01%
American	1	10,000	0.01%
Egyptian	1	543	0.00%
Total	**700**	**119,175,000**	**100.00%**

Description of shareholders according to their respective shareholding

#	Shareholding (share)	No. of shareholders	No. of shares held	Shareholding %
1	<50,000	513	6,195,697	5.199%
2	50,000 to 500,000	139	23,825,909	19.992%
3	500,001 to 5,000,000	46	73,168,657	61.396%
4	>5,000,000	2	15,984,737	13.413%

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

#	Name	No. of shares held	Shareholding %	Name of the natural person, the final	Nationality
1	Abdulhameed Zainal Mohamed Zainal	8,176,003	6.86%	NA	Bahraini
2	National Insurance Company	7,808,734	6.55%	NA	Iraqi

Corporate Governance
(Continued)

The Board

BNH's Board of Directors consists of 11 non-executive members, with ten (10) members elected by the shareholders and one (1) appointed member. All selections, both elected and appointed, were approved by the Central Bank of Bahrain in March 2023 for a three- year term. The primary purpose of the Board of Directors is to serve as representatives of the shareholders, safeguarding their rights and interests. Upon appointment, the Board acknowledged the duties, responsibilities, attendance requirements, adherence to the code of conduct, and confidentiality associated with such a role.

Furthermore, in line with the corporate governance laws, rules, and regulations, the Board members are subject to periodic training courses, which are organized by the Group either internally or in cooperation with external training and education institutions. In addition, the Board, and Board Committees' members are subjected to an annual evaluation system in accordance with the relevant rules of governance to regularly assess the members' effectiveness and contribution.

The Board is committed to following and adhering to the Group's internal policies in relation to the business code of ethics as it is responsible for the stewardship of the Group's business and affairs on behalf of the shareholders, with a view to enhancing long-term shareholders' value while protecting the rights and interests of other stakeholders while maintaining high standards of transparency and accountability. This has been achieved through the monitoring system that the Board has put in place via its Audit, Compliance and Risk Committee (ACRC), whose Chairman represents to the Board the matters discussed in relation to compliance with the applicable laws and regulations. Moreover, in order for the Board to ensure the implementation of the transparency policy, the Board is devoted to providing open communication channels with the Group's shareholders via the Group's website, emails, the press, and its social networking sites, as well as at the periodic shareholders' meetings. The names and profiles of Directors are listed on pages (10 to 13).

Leadership Changes at BNH

In the past year, BNH mourned the loss of its esteemed Chairman, Mr. Farooq Almoayyed, whose leadership and dedication greatly contributed to the company's success. In accordance with the 2023 election results, Mr. Sameer Alwazzan was appointed to the Board. A new Chairman and Vice Chairman were also selected, ensuring the continued stewardship of the company.

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 2024, 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.

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.

- The member of the Board of Directors may resign his office provided that this should be at a suitable time, or else he shall be liable to pay compensation.

Corporate Governance
(Continued)

Board Duties

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

Material Transactions that require the Board's approval

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

Membership statistics by gender in the Board of Directors

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

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

Ownership of BNH shares by the Board of Directors and Executive Management – from January to December 2024

Name of Shareholder	Title	No. of Shares As At 01/01/2024	No. of Shares As At 31/12/2024	Changes
Directors				
Abdulhussain Khalil Dewani	Chairman	1,427,152	1,427,152	-
Ghassan Qasim Fakhroo	Vice Chairman	105,000	105,000	
Abdulrahman Mohamed Juma	Board Member	865,398	915,398	50,000
Jehad Yusuf Amin	Board Member	3,487,762	3,578,000	90,238
Ali Hasan Mahmood	Board Member	530,881	904,999	374,118
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	-
Sameer Ebrahim Alwazzan	Board Member	114,741	114,741	-
Hussain Abdulhameed Alshehab	Board Member	577	577	-

Description of the transactions made by the Directors, their spouses, and their sons on the Group's shares during the year 2024:

#	Name	Position/Kinship	Shares held as at 31/12/2024	Total sale transaction	Total purchase transaction
1	Abdulrahman Mohamed Juma	Board Member	915,398	-	50,000
2	Jehad Yusuf Amin	Board Member	3,578,000	-	90,238
3	Ali Hasan Mahmood	Board Member	904,999	-	374,118

Corporate Governance
(Continued)

Directors' Attendance at Board Meetings in 2024

Board Members	Title	Meeting No. 1 31 Jan	Meeting No. 2 25 Feb	Meeting No. 3 9 May	Meeting No. 4 11 Aug	Meeting No. 5 13 Nov	Meeting No. 6 3 Dec	Attendance percentage
Farooq Yusuf AlMoayyed	Chairman (Independent Non-Executive Director)	✓	✓	✓	✓(R)	×	-	80%
Abdulhusain Khalil Dewani	Chairman (Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%
Ghassan Qasim Fakhroo	Board Member (Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%
Jehad Yusuf Amin	Board Member (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓(R)	100%
Sami Mohamed Sharif Zainal	Board Member (Non-Executive Director)	✓	✓	✓	✓(R)	✓	✓	100%
Ayad Saad Algosaibi	Board Member (Independent Non-Executive Director)	✓	✓	✓	✓(R)	✓	✓(R)	100%
Abdulrahman Mohamed Juma	Board Member (Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%
Talal Fuad Kanoo	Board Member (Non-Executive Director)	✓	✓	✓	✓(R)	✓	✓(R)	100%
Ali Hasan Mahmood	Board Member (Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%
Abbas Abdulmohsen Radhi	Board Member (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%
Hussain Abdulhameed Alshehab	Board Member (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓(R)	100%
Sameer Ebrahim Alwazzan	Board Member (Non-Executive Director)	-	-	-	-	-	-	-

(R) Attended remotely

- Mr. Abdulhusain Khalil Dewani is the Chairman of the Board, succeeding the late Mr. Farooq Yusuf Almoayyed.
- 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 six meetings during the year 2024.

Description of the remunerations including sitting fees to the directors for their membership and attendance of the Board and Board's committees in the financial year 2024 according to the following table:

	Fixed remunerations					Variable remunerations							
Name	Remunerations of the Chairman and BOD	Total allowance for attending Board and Committee meetings	Salaries	Others*	Total	Remunerations of the Chairman and BOD (proposed)	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors:													
1 Farooq Yusuf Almoayyed	-	6,200	-	1,617	**7,817**	20,000	-	-	-	**20,000**	-	**27,817**	-
2 Jehad Yusuf Amin	-	9,500	-	1,767	**11,267**	10,000	-	-	-	**10,000**	-	**21,267**	-
3 Ayad Saad Algosaibi	-	8,000	-	601	**8,601**	10,000	-	-	-	**10,000**	-	**18,601**	-
4 Abbas Abdulmohsen Radhi	-	8,600	-	1,617	**10,217**	10,000	-	-	-	**10,000**	-	**20,217**	-
5 Hussain Alshehab	-	5,000	-	601	**5,601**	10,000	-	-	-	**10,000**	-	**15,601**	-
Second: Non-Executive Directors:													
1 Abdulhussain Khalil Dewani	-	7,000	-	1,617	**8,617**	10,792	-	-	-	**10,792**	-	**19,409**	-
2 Abdulrahman Mohamed Juma	-	7,500	-	1,767	**9,267**	10,000	-	-	-	**10,000**	-	**19,267**	-
3 Sami Mohamed Sharif Zainal	-	7,500	-	1,601	**9,101**	10,000	-	-	-	**10,000**	-	**19,101**	-
4 Ghassan Qassim Fakhroo	-	8,000	-	1,751	**9,751**	10,000	-	-	-	**10,000**	-	**19,751**	-
5 Ali Hasan Mahmood	-	5,000	-	1,617	**6,617**	10,000	-	-	-	**10,000**	-	**16,617**	-
6 Talal Fuad Kanoo	-	5,000	-	601	**5,601**	10,000	-	-	-	**10,000**	-	**15,601**	-
7 Sameer AlWazzan	-	-	-	-	**-**	-	-	-	-	**-**	-	**-**	-
Third: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**77,300**	**-**	**15,157**	**92,457**	**120,792**	**-**	**-**	**-**	**120,792**	**-**	**213,249**	**-**

Corporate Governance
(Continued)

BOARD COMMITTEES

Audit, Compliance & Risks Committee (ACRC)

Responsibilities

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

Directors' Attendance at ACRC Meetings in 2024

Members	Title	Meeting No. 1 11 Jan **	Meeting No. 2 22 Feb	Meeting No. 3 24 March ***	Meeting No. 4 5 May	Meeting No. 5 8 Aug	Meeting No. 6 6 Nov	Attendance percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Abbas Abdulmohsen Radhi	Chairman (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	100%	600	3,600
Ayad Saad AlGosaibi	Vice Chairman (Independent Non-Executive Director)	✓	✓	✓	✓	✓(R)	✓	100%	500	3,000
Abdulrahman Mohamed Juma	Member (Non-Executive Director)	✓	✓	×	✓	✓	✓	84%	500	2,500

(R) Attended remotely

** The following Members attended the meeting by invitation:

- Ghassan Fakhroo – by invitation in his capacity as EIC Chairman
- Sami Zainal - by invitation in his capacity as BNI ACRC Member

*** The following Members attended the meeting by invitation:

- Ghassan Fakhroo – by invitation in his capacity as EIC Chairman
- Sami Zainal - by invitation in his capacity as BNI ACRC Member
- Abdulla AlAnsari – by invitation in his capacity as BNL ACRC Member

- Mr. Abbas Abdulmohsen Radhi is the Chairman of the ACRC.
- The ACRC is required to meet at least four times in a financial year.
- BNH's ACRC held six meetings during the year 2024.

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 2024

Members	Title	Meeting No. 1 30 Jan	Meeting No. 2 12 Feb	Meeting No. 3 7 May	Meeting No. 4 6 Aug	Meeting No. 5 11 Nov	Attendance percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Ghassan Qasim Fakhroo	Chairman (Non-Executive Director)	✓	✓	✓	✓	✓	100%	600	3,000
Sami Mohamed Sharif Zainal	Vice Chairman (Non-Executive Director)	✓	✓	✓	✓(R)	✓	100%	500	2,500
Jehad Yusuf Amin	Member (Non-Executive Director)	✓	✓	✓	✓	✓	100%	500	2,500

(R) Attended remotely

- 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 five meetings during the year 2024.

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 2024

Members	Title	Meeting No. 1 25 Feb	Meeting No. 2 7 Nov	Meeting No. 3 2 Dec	Attendance Percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Farooq Yusuf AlMoayyed	Chairman (Independent Non-Executive Director)	✓	×	-	33%	600	1,200
Abdulhusain Khalil Dewani	Chairman (Non-Executive Director)	✓	✓	✓	100%	500	2,000
Jehad Yusuf Amin	Member (Independent Non-Executive Director)	✓	✓	✓	100%	500	2,000

- Mr. Abdulhusain Khalil Dewani is the Chairman of the NRCG, succeeding the late Mr. Farooq Yusuf Almoayyed.
- The NRCG is required to meet at least twice a year.
- BNH's NRCG held three meetings during the year 2024.

Corporate Governance
(Continued)

Performance Evaluation of Board & Committees

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

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

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

The Annual General Meeting

As per the Commercial Companies Law Decree No. 21 of 2001 (and as amended), all shareholding companies shall hold an annual general meeting (AGM). AGMs are yearly meetings arranged for shareholders to discuss company matters and address raised solutions. BNH's highest decision- making body are AGMs in which shareholders have the opportunity to be aware of and evaluate the Company's participate in management of the Company. The Corporate Governance Framework encourages BNH's Directors to attend AGMs to present the annual accounts and the Board of Directors' Report. The AGM platform for the Board gather official approval from shareholders on resolutions and votes on Board elections. At the Company's last annual shareholders meeting dated 26th March 2024, 11 Directors attended the AGM. 35 Fils dividend per share were approved by the shareholders and paid in April 2024.

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 convened an EGM on 3rd October 2024, to address matters of significance as part of the company's ongoing governance process.

Shareholders' Rights

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

The Management

The Board has delegated responsibility for the day-to-day management of the Group's business to the Group Chief Executive Officer (Group CEO), who is supported by an experienced Senior Management team and a number of operational committees which are presented in this report. The Group CEO and Senior Management team's names and profiles are listed at the front of this annual report (18).

The total of the top 6 remunerations paid in 2024 to the Key Management staff including salaries, privileges, allowances and annual bonus: BD 951,454.

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for Executives, including CEO and CFO	591,420	307,057	52,977	**951,454**

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

Management Committee ("MC")

Objectives and Responsibilities

- The purpose of the MC is to oversee the day-to-day operations of BNH and ensure that it is meeting its goals and objectives.
- This includes monitoring BNH's performance, identifying areas for improvement, and making recommendations to the Board of Directors on, among other matters, the following:

1. **Monitoring the Organisation's Performance**
   - Monitor BNH's performance on a regular basis.
   - Review financial statements, operational reports, and other relevant data.
2. **Identifying Areas for Improvement**
   - Identify areas where the organisation can improve its performance, including opportunities for growth, cost savings, and process improvements.
3. **Recommendations to the Board of Directors and Board Committees**
   - Recommend to the Board of Directors on matters related to the BNH's operations, including budgets, staffing, and other operational matters.
   - Provide regular updates to the Board of Directors and relevant committees on its activities and recommendations.

Composition:

Function Title	Name	Role
Group Chief Executive Officer	Raed Fakhri	Chairman
Chief Financial Officer	Basil Ghali	Member
Chief Investment Officer – Private Equity	Ahmed Al-Aseeri	Member
Chief Investment Officer – Marketable Portfolio	Anand Subramanian	Member
Corporate Services – Director	Dr. Maryam Al Ahmed	Member
Planning & Performance – Manager	Dalia Al Shebli	MC Secretary

Management Investment Committee ("MIC")

Objectives and Responsibilities

- The primary objective of the MIC is to oversee and guide the investment strategy and management of the portfolio of assets of BNH and its subsidiaries.
- This includes the prudent oversight of the designated Marketable Portfolio and the Private Equity portfolio.
- The MIC's objective is to ensure that these portfolios are managed effectively in a manner that is consistent with BNH's overall investment goals, risk tolerance, and financial objectives as stated in its Board-approved investment policies, thereby contributing to the BNH's long-term financial stability and growth, through the following:

1. **Strategic Investment Oversight and Recommendations to the Board of Directors:**
    - Formulate and periodically review BNH's investment strategy for both the Marketable Portfolio and the Private Equity portfolio.
    - Provide recommendations to the Board of Directors and the relevant Board committee(s) regarding investment decisions and strategies.
    - Propose actions or changes in strategy based on market analysis, performance outcomes, and risk assessments.
    - Ensure alignment of the investment strategies with the BNH's overall financial goals and risk appetite.
    - Oversee the asset allocations and diversification strategies within the Board-approved limits, to optimise the balance between risk and return.
2. **Performance Monitoring:**
    - Regularly review and assess the performance of the investment portfolios against established benchmarks and objectives.
    - Analyse performance reports and provide insights into the results, identifying areas for improvement or adjustment.
    - Ensure that performance metrics are relevant, accurate, and provide a clear picture of the portfolios' status.
3. **Risk Management:**
    - Oversee the identification, evaluation, and management of investment risks across both portfolios.
    - Ensure that risk management strategies and tools are effectively employed to minimise adverse impacts on the portfolios.

Corporate Governance
(Continued)

4. **Policy and Guidelines Review:**
   - Develop and maintain comprehensive investment policies and guidelines that govern the management of the Marketable Portfolio and the Private Equity portfolio.
   - Provide recommendations to the Board of Directors to update these policies periodically to reflect changes in market conditions, Company strategy, and regulatory requirements.
   - Ensure that investment decisions are made within the framework of these established policies and guidelines.
5. **Legal, Compliance and Regulatory Oversight:**
   - Monitor investment activities for compliance with legal, regulatory, and ethical standards.
   - Stay abreast of changes in the legal and regulatory environment and ensure that investments are managed accordingly.
6. **Limitations and Exclusions:**
   - While the MIC has a broad scope of responsibilities, it is not directly involved in the day-to-day management of investment operations, which is delegated to respective investment teams or external managers.

Composition:

Function Title	Name	Role
Group Chief Executive Officer	Raed Fakhri	Chairman
Chief Financial Officer	Basil Ghali	Member
Chief Investment Officer – Private Equity	Ahmed Al-Aseeri	Member
Chief Investment Officer – Marketable Portfolio	Anand Subramanian	Member
Planning & Performance – Manager	Dalia Al Shebli	MIC Secretary

Procurement Committee (“PC”)

Objectives and Responsibilities

- Develop and review the procurement policies and procedures to align with BNH’s strategic goals, legal requirements and industry best practices, while supporting the national economy (local vendors and suppliers). This includes appropriate processes for vendor registration and submissions of conflict-of-interest declarations.
- Ensure procurement processes follow best practice procurement guidelines to promote fairness, transparency and competitiveness.
- Provide recommendations to the Board of Directors to update these policies and procedures periodically as may be required from time-to-time.

- Work with business units to develop an annual procurement plan and procurement budget. Ensure budgeting is accurate and reflects business and operational requirements.
- Ensure the proposed procurement activities are executed according to the procurement plan and in line with budgets.
- Review the annual procurement plan to ensure alignment with key KPIs and targets set, including identifying cost savings and revenue generation (where applicable) by leveraging economies of scale, negotiating favourable contract terms and promoting efficient procurement practices.
- Monitor and evaluate vendor and supplier performance against deliverables, to ensure value-for-money for BNH and shareholders.
- Identifying potential risks associated with procurement activities and implementing strategies to minimise such risks to BNH and its portfolio companies.

Composition:

Function Title	Name	Role
Corporate Services – Director	Dr. Maryam Al Ahmed	Chairwoman
Chief Financial Officer	Basil Ghali	Member
Chief Investment Officer – Private Equity	Ahmed Al-Aseeri	Member
Finance – VP	Mohsin Ali	Member
Finance – Financial Controller (bni and bnl)	Mohamed Taher	Member
Corporate Services – Senior Specialist	Mohamed Al Kooheji	PC 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). Moreover, the Risk, Compliance & Department maintains a compliance calendar to ensure timely submission of date-sensitive regulatory requirements. Compliance activities are performed in accordance with an established plan, approved by the ACRC of the Board.

Corporate Governance
(Continued)

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 2023 external auditors' report in 2024 in accordance with the CBB requirements.

The Group subsidiaries' automated AML solution, live since 2022, facilitates seamless interdepartmental workflows, enhances AML investigations, and improves sanctions and AML/CFT/CPF screenings. It also assists in tracking customer behavioral patterns and ensures proper escalation mechanism is in place.

Internal Audit

The Board of Directors appointed Protiviti Member Firm Bahrain W.L.L. as the Group's Internal Auditor in June 2024. The internal auditors have assessed the quality of the internal control system and prepared a comprehensive internal audit plan, which was subsequently approved by the Audit, Compliance and Risk Committee (ACRC). Protiviti Auditors are fully compliant with all international auditing principles and standards, and contribute 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 2024 individual and consolidated financial statements, the auditor's review of the 2024 quarterly, half-yearly and year-end financial report.

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

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

Audit and non-audit fees paid by the Group for 2024

	Amount
Audit and review fees	50,500
Non-audit fees	28,100

Whistleblowing Policy

In its commitment to the highest standard of good governance practice, the Group has in place a Whistleblowing 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.

Corporate Governance
(Continued)

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 2024, 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 2024 in accordance with the requirement of the Central Bank of Bahrain.

Code of Conduct

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

Penalties

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

Communications

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

Corporate Secretary

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

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

Succession plan

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

Complaints

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

For handling the customer complaints, the subsidiaries have a dedicated independent Customer Complaints' Officer to perform duties such as receiving and acknowledging complaints, recording customer information and details pertaining to complaints, objectively investigating and communicating to the departments related to the complaints, tracking the progress of complaints, and finally communicating to the customers on the resolution of their complaints. In the case where the customer is not satisfied with the resolution of the complaint, they have the right to escalate the case to the Central Bank of Bahrain.

To facilitate the 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.

Corporate Governance
(Continued)

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, Central Bank of Bahrain 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 2024 are disclosed in Note 28 of the financial statements. The company applies enhanced procedures for related parties' transactions and has set a mechanism to regulate transactions with related parties in order to minimize conflicts of interest.

Process of approval for related-party transactions includes:

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

Status of compliance with Central Bank of Bahrain High Level Controls Module

BNH as a Bahrain Bourse listed company and the Group subsidiaries (bni and bnl) as a Central Bank of Bahrain regulated entities are required to comply with the HC Module of the Central Bank of Bahrain 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 Central Bank of Bahrain.

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

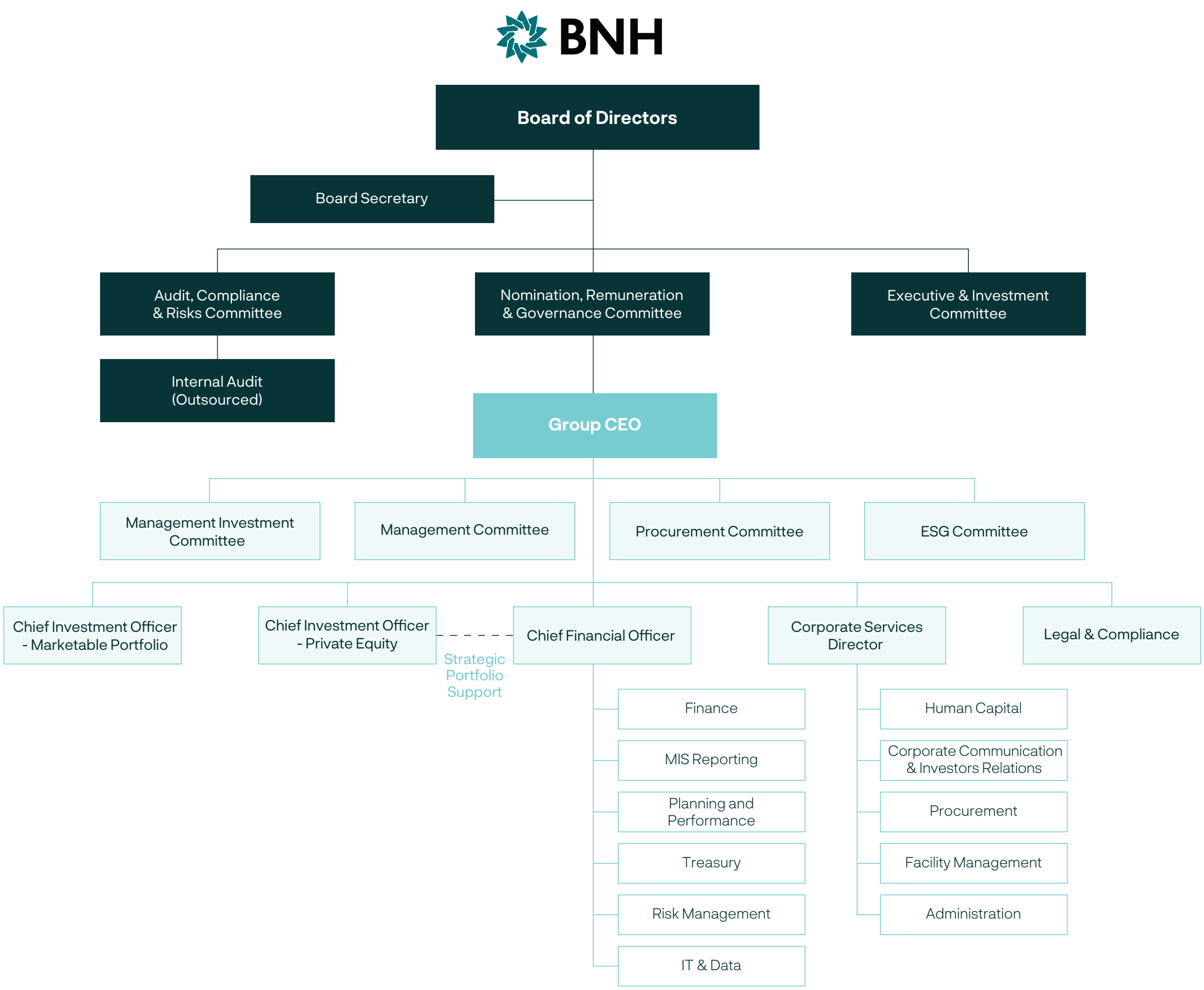
HC-1.3.6 states that No Director holds more than 3 Directorships in public companies in Bahrain with the provision that no conflict of interest may exist (which includes having an interest in companies in the same line of business), and the Board should not propose the election or re-election of any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

Corporate Governance Officer

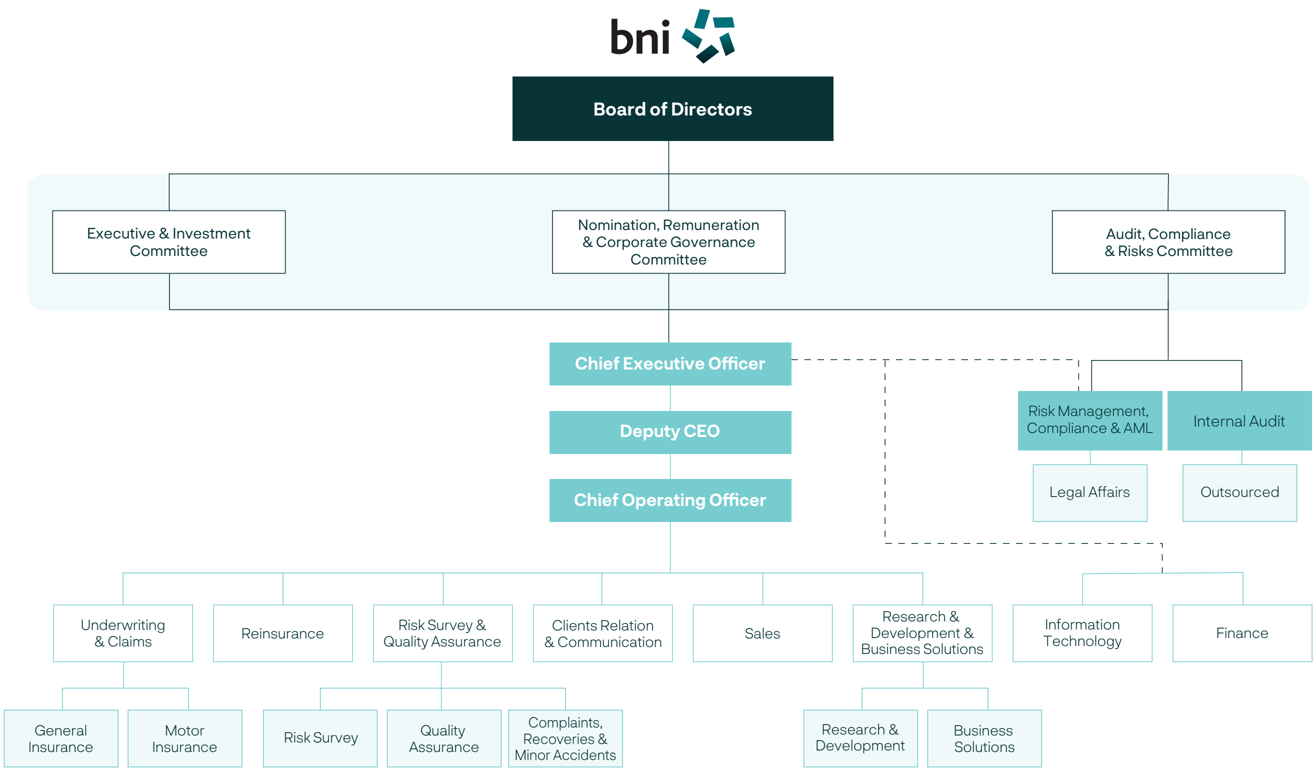
BNH has an appointed Corporate Governance Officer in accordance to the Corporate Governance Code.

Name	Date of Appointment	Contact Details
Amina Jasim Bushaar	14-January-2025	Tel: 17587308 Email: amina.bushaar@bnhgroup.com

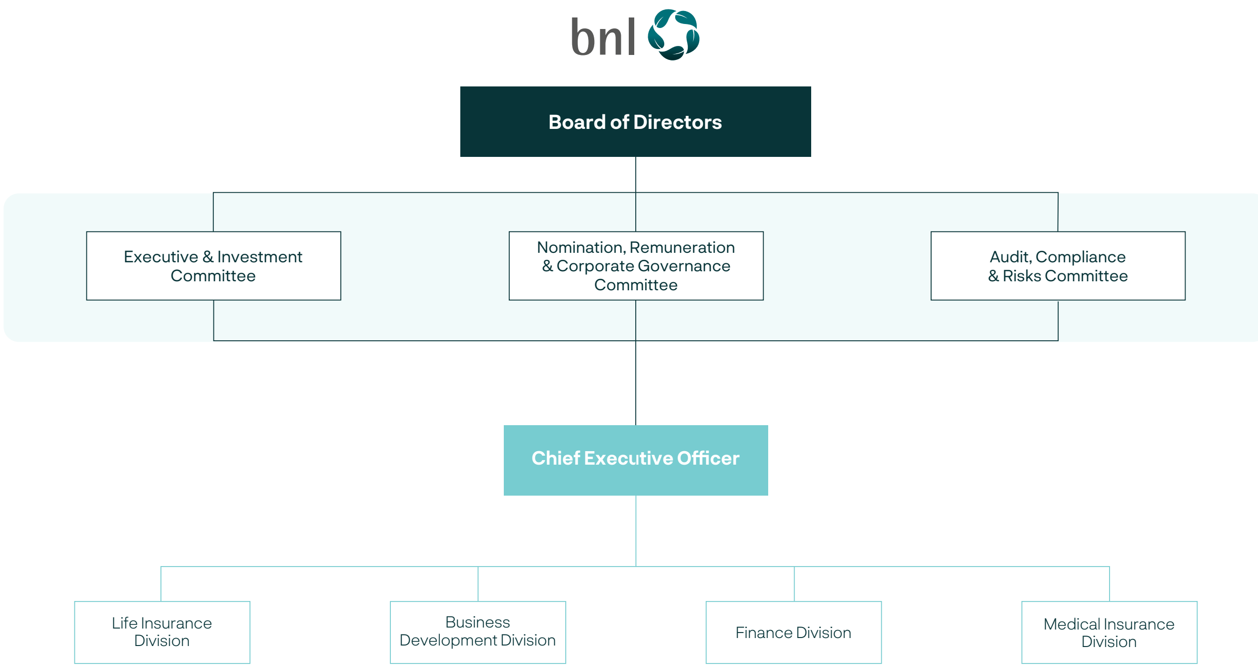
Organization Structure



Notes:
1. Board Committees formed individually at each respective Company.
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 SLA agreement, as applicable to the operation of that company.


Board of Directors
Executive & Investment Committee
Nomination, Remuneration & Corporate Governance Committee
Audit, Compliance & Risks Committee
Chief Executive Officer
Deputy CEO
Chief Operating Officer
Risk Management, Compliance & AML
Internal Audit
Legal Affairs
Outsourced
Underwriting & Claims
Reinsurance
Risk Survey & Quality Assurance
Clients Relation & Communication
Sales
Research & Development & Business Solutions
Information Technology
Finance
General Insurance
Motor Insurance
Risk Survey
Quality Assurance
Complaints, Recoveries & Minor Accidents
Research & Development
Business Solutions

Organization Structure
(Continued)



Notes:
Risk, Compliance and AML is provided through Service Level Agreement between bni and bnl.

Contacts

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National Bank of Bahrain
National Bank of Kuwait

Registrars of the Group
KFin Technologies
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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 2024, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of insurance contract assets and liabilities

Refer to the use of estimate and management judgement in note 5, material accounting policies in note 4 and disclosures in note 6 and note 14 to the consolidated financial statements.

Independent Auditors' Report to the Shareholders (Continued)

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • As at 31 December 2024, the Group had significant insurance contract liabilities, representing 82% of the Group's total liabilities and relating to liabilities for remaining coverage and liabilities for incurred claims. • Actuarial projection methods, based on both historical information and assumptions on future developments, are used to measure the insurance contract liabilities. For liability for incurred claims, estimates include assumptions related to the amount of the expected settlement and claim payment patterns. • Complex accounting requirements, including the inputs, assumptions, estimates techniques used for contract assets and liabilities and measuring components of insurance contract liabilities that include: ▪ the estimate of future cash flows within the liability for remaining coverage and liability for incurred claims; ▪ discounting applied to the estimates of future cash flows to reflect the time value of money and financial risk; and ▪ asset and liability for remaining coverage for contracts measured under PAA. • Susceptibility to management bias and estimation uncertainty when making judgements to determine insurance contract liabilities; and • Complex disclosure requirements.	Our audit procedures, with the assistance of our actuarial specialists, included: • testing the design and operating effectiveness of the key controls around recording and reserving process for underwriting, claims payment and reserving; • involving our own specialists: ▪ to assist us in evaluating the reasonableness of management's key judgements and estimates made in the measuring components of insurance and reinsurance assets and liabilities, including selection of methods, models, input, assumptions and estimates (consist of present value of future cash flows, discount rate, non-financial risk, CSM, etc.), as well as the impact of the economic uncertainties; ▪ to verify the calculation of the contract asset and liability for remaining coverage and asset and liability for incurred claims and respective reinsurance amounts to ensure the calculation methods and the model used were appropriate. • evaluating the competence, capabilities and objectivity of the internal or external experts used by management. • assessing the completeness, accuracy, and relevance of data. • testing samples of outstanding claims and related reinsurance recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated; and • assessing the adequacy of the disclosures in the consolidated financial statements relating to this matter against the requirements of the relevant accounting standards.

Other Information

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

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

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

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

Independent Auditors' Report to the Shareholders (Continued)

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

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

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group to a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report to the Shareholders (Continued)

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

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

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

Report on Other Regulatory Requirements

1) As required by the Commercial Companies Law 2001 (as amended), 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 2001 (as amended) or the terms of the Company's memorandum and articles of association, that would have had a material adverse effect on the business of the Company or on its financial position; and
   d) satisfactory explanations and information have been provided to us by management in response to all our requests.
2) As required by the Ministry of Industry and Commerce in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

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

KPMG

KPMG Fakhro
Partner Registration Number 83
25 February 2025

Consolidated Statement of Financial Position

As at 31 December 2024 *(In thousands of Bahraini Dinars)*

	Note	**31 December 2024**	31 December 2023
ASSETS			
Cash and cash equivalents	7	497	5,872
Financial investments	8	12,889	73,905
Reinsurance contract assets	14	-	10,933
Equity accounted investees	9b	10,587	11,570
Investment properties	11	1,953	2,092
Property and equipment	12	1,813	2,911
Other assets	13	292	3,736
Assets held for sale	6	83,888	-
Total assets		**111,919**	111,019
LIABILITIES			
Insurance contract liabilities	14	-	27,674
Reinsurance contract liabilities	14	-	3,906
Investment contract liabilities	15	-	1,737
Other provisions and liabilities	16	941	4,050
Liabilities directly associated with the assets held for sale	6	38,861	-
Total liabilities		**39,802**	37,367
Net assets		**72,117**	73,652
EQUITY			
Share capital	18b	11,918	11,918
Treasury shares	18c	(300)	-
Share premium	18g	3,990	3,990
Statutory reserve	19a	5,959	5,959
Other reserves	19b,19c	11,948	11,699
Retained earnings		38,602	36,484
Equity attributable to shareholders of the Parent company		**72,117**	70,050
Non-controlling interest	1	-	3,602
Total equity		**72,117**	73,652

The consolidated financial statements were approved by the Board of Directors on 25 February 2025 and signed on its behalf by:

Abdulhussain Khalil Dawani
Chairman

Ghassan Qasim Fakhroo
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

	Note	2024	2023*
Continuing operations			
Net investment income	22	142	222
Share of profit of equity accounted investees	9b	1,116	904
Corporate expenses	23	(2,768)	(3,364)
Other (expenses) / income		(172)	63
Results from continuing operations		**(1,682)**	(2,175)
Discontinuing operations			
Results from discontinuing operations	6	**7,044**	9,401
Profit for the year		**5,362**	7,226
Profit attributable to:			
Parent company		5,164	6,927
Non-controlling interest		198	299
		5,362	7,226
Earnings per share			
Basic and diluted earnings per share	18e	**43 fils**	58 fils
Earnings per share for continuing operations			
Basic and diluted earnings per share		**(14) fils**	(18) fils

*Comparative information has been re-presented due to a discontinuing operation and a change in reclassification.

Abdulhussain Khalil Dawani
Chairman

Ghassan Qasim Fakhroo
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

	Note	**2024**	2023*
Profit for the year		**5,362**	7,226
Other comprehensive income			
Continuing operation:			
Items that will not be reclassified to profit or loss:			
- Equity investments at FVOCI – net change in fair value	8b	462	1,958
Items that are or may be reclassified subsequently to profit or loss:			
Equity-accounted investees			
Share of other comprehensive income	9b	1	92
Other comprehensive income from continuing operations		**463**	2,050
Discontinuing operation:			
Other comprehensive income from discontinuing operations		**321**	(799)
Total comprehensive income		**6,146**	8,477
Total comprehensive income attributable to:			
Continuing operation		(1,219)	(125)
Discontinuing operation		7,365	8,602
		6,146	8,477
Total comprehensive income attributable to:			
Parent company		5,942	8,124
Non-controlling interest		204	353
		6,146	8,477

*Comparative information has been re-presented due to a discontinuing operation and a change in reclassification.

Abdulhussain Khalil Dawani
Chairman

Ghassan Qasim Fakhroo
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

	Attributable to the shareholders of the Parent company										
					Other reserves						
2024	**Share capital**	**Treasury shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Fair value reserve**	**Reserve of disposal group held for sale**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2024	11,918	-	3,990	5,959	13,585	(1,886)	-	36,484	70,050	3,602	73,652
Profit for the year	-	-	-	-	-	-	-	5,164	5,164	198	5,362
Other comprehensive income for the year	-	-	-	-	-	778	-	-	778	6	784
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**778**	**-**	**5,164**	**5,942**	**204**	**6,146**
Transfer from fair value reserve on sale of equity Investments	-	-	-	-	-	(522)	-	522	-	-	-
Dividends declared for 2023	-	-	-	-	-	-	-	(4,171)	(4,171)	(210)	(4,381)
Purchase of treasury shares	-	(300)	-	-	-	-	-	-	(300)	-	(300)
Acquisition of non-controlling interest (Note 1)	-	-	-	-	-	(7)	-	603	596	(3,596)	(3,000)
Discontinuing operations (Note 6)	-	-	-	-	(4,166)	(573)	4,739	-	-	-	-
Balance as at 31 December 2024	**11,918**	**(300)**	**3,990**	**5,959**	**9,419**	**(2,210)**	**4,739**	**38,602**	**72,117**	**-**	**72,117**

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

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

	Note	2024	2023
OPERATING ACTIVITIES			
Insurance operations			
Premiums received		55,023	47,958
Claims and expenses paid, net of salvage recoveries		(36,664)	(28,908)
Insurance acquisition costs paid		(2,945)	(1,774)
Premiums paid to reinsurers, net of commission		(21,536)	(18,972)
Claims recovered from reinsurers		10,636	8,756
Cash flows from insurance operations		**4,514**	7,060
Investment operations			
Dividends and interest received		3,878	2,873
Proceeds from sale and redemptions of financial investments		8,917	15,755
Payments for purchases of financial investments		(6,229)	(9,042)
Bank deposits with maturities of more than three months		(12,308)	(23,897)
Redemption proceeds from bank deposits		23,897	14,534
Dividends received from equity accounted investees		880	974
Payment for investment properties		(4)	-
Rent received		165	288
Cash flows from investment operations		**19,196**	1,485
Expenses paid		(4,150)	(3,777)
Cash flows from operating activities		**19,560**	4,768
INVESTMENT ACTIVITIES			
Purchase of equipment and intangible assets		(48)	(188)
Cash flows used in investment activities		**(48)**	(188)
FINANCING ACTIVITIES			
Dividends paid to shareholders		(4,171)	(4,171)
Dividends paid to non-controlling interest		(210)	(274)
Acquisition of non-controlling interest		(3,000)	-
Purchase of treasury shares		(300)	-
Payments of lease liabilities		(52)	(84)
Cash flows used in financing activities		**(7,733)**	(4,529)
Net change in cash and cash equivalents		**11,779**	51
Cash and cash equivalents at 1 January		5,884	5,833
Cash and cash equivalents at 31 December	7	**17,663**	5,884

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

1 REPORTING ENTITY

Bahrain National Holding B.S.C (the “Company”) is registered in the Kingdom of Bahrain under commercial registration number 42210-1. The Company’s registered office at 9th floor, BNH Tower, Seef Business District, Manama, Kingdom of Bahrain, P.O. Box 843.

These consolidated financial statements as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in insurance and investment activities.

Acquisition of non-controlling interest (NCI)

During the year, the Company acquired an additional 25% stake in Bahrain National Life Insurance Company B.S.C. (c), increasing its ownership from 75% to 100%.

Carrying amount of NCI acquired	3,596
Consideration paid to NCI	(3,000)
An increase in equity attributable to the shareholders of the Company	**596**

The increase in equity attributable to the shareholders of the Company comprised:

- an increase in retained earnings of BD 603 thousand; and
- a decrease in fair value reserve of BD 7 thousand.

2 BASIS OF ACCOUNTING AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in conformity with Commercial Companies Law 2001 (as amended).

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

These consolidated financial statements were authorized for issue by the board of directors on 25 February 2025.

a) Functional and presentation currency

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

b) Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)

c) New standards, amendments and interpretations effective from 1 January 2024.

The following relevant new standards and amendments to the standards, which became effective as of 1 January 2024, had no material impact on the consolidated financial statements.

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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

A number of new accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standards introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

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. Lack of Exchangeability (Amendments to IAS 21)
2. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

3 BASIS OF CONSOLIDATION

a) Business combinations

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

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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

b) Subsidiaries

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

c) Non-controlling interest (NCI)

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

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 MATERIAL ACCOUNTING POLICIES

i) Insurance, reinsurance and investment contracts – Classification

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

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

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

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

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

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

ii) Insurance and reinsurance contracts

a) Separating components from insurance and reinsurance contracts

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

b) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

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

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

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

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

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

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

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

Reinsurance contracts

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

c) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

- The Group uses a systematic and rational method to allocate:
  - Insurance acquisition cash flows that are directly attributable to a group of insurance contracts: to that group; and
  - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of consolidated financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the consolidated statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

Recoverability assessment

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

d) Contract boundaries

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

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

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

e) Measurement – Contracts not measured under the PAA

Insurance contracts – Initial measurement

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

Insurance contracts – Subsequent measurement

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

Insurance contracts without direct participation features

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

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

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

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

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

Direct participating contracts

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

Reinsurance contracts

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

Reinsurance of onerous underlying insurance contracts

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

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

f) Measurement – Contracts measured under the PAA

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

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

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

Insurance contracts

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

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

Reinsurance contracts

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

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

g) Derecognition and contract modification

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

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

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

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

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

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

h) Presentation

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

Insurance revenue – Contracts not measured under the PAA

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

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

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

Release of the CSM

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

Insurance revenue – Contracts measured under the PAA

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

Loss components

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

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

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

Insurance service expenses

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

Net expenses from reinsurance contracts

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

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

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

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

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

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

Insurance finance income and expenses

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

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

iii) Investment contracts

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

4 MATERIAL ACCOUNTING POLICIES (continued)

a. Financial liabilities

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

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

b. Investment management service contracts

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

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

iv) Financial assets and financial liabilities

a. Recognition and initial measurement

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

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

b. Classification and subsequent measurement

Financial assets

Classification

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

Business model assessment

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

Assessment of whether contractual cash flows are SPPI

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

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

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

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

Subsequent measurement and gains and losses

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

4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

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

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

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

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

Subsequent measurement and gains and losses

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

Interest on financial instruments

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

c. Impairment

The Group recognises loss allowances for ECL on:

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

Measurement of ECL

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

Credit-impaired financial assets

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

Write-off

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

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

d. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

4 MATERIAL ACCOUNTING POLICIES (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/ loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Group currently has certain debt securities measured at FVOCI and equity investment designated as at FVOCI. For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest expense using the effective interest method;
- Expected Credit Losses (ECL) and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

e. Offsetting

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

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

v) Cash and cash equivalents

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

4 MATERIAL ACCOUNTING POLICIES (continued)

vi) Intangible assets

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

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

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

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

vii) Property and equipment

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as an expense when incurred.

Depreciation

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

viii) Investment properties

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

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

ix) Leases

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

As a lessee

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

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

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

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

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

4 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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 'net investment income'.

4 MATERIAL ACCOUNTING POLICIES (continued)

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.

x) Impairment of non-financial assets

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

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

xi) Employees' benefits

Bahraini employees

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

Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration. The provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee benefits, is made by calculating the notional liability had all employees left at the reporting date.

Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

Employee savings scheme

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

xii) Share Capital

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

4 MATERIAL ACCOUNTING POLICIES (continued)

xiii) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognised as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity. Gains/ losses on disposal of treasury shares are recognised in equity.

xiv) Dividends

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

xv) Directors' remunerations

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

xvi) 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 and Investment Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

xvii) Foreign currency translation

Transactions and balances

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

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

Other group companies

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

4 MATERIAL ACCOUNTING POLICIES (continued)

xviii) Discontinued operation

A discontinued operation js a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

5 USE OF JUDGEMENTS AND ESTIMATES

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

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

a. Judgements

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

i) Impairment of financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

ii) Classification of financial assets

Assessing the business model within which the assets are held and whether the contractual terms of the assets are SPPI on the principal amount outstanding;

iii) Equity accounted investees

Whether the Group has significant influence over an investee;

iv) Classification of insurance, reinsurance and investment contracts

Assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features;

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

v) Level of aggregation of insurance and reinsurance contract

Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;

vi) Measurement of insurance and reinsurance contracts

Determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;

vii) Consolidation

Determining whether the Group controls an investee.

b. Assumptions and estimation uncertainties

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

i) Impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;

ii) Measurement of the fair value of financial instruments and investment properties with significant unobservable inputs;

iii) Fulfilment cash flows

Fulfilment cash flows comprise:

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

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

Estimates of future cash flows

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

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

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

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

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

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

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

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

Contract boundaries

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

Long-term life risk contracts

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

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

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

2024	**Source**	**Table used and adjustments**
Mortality Rate	Societies of Actuaries (“SoA”)	80% of Reinsurance Rates
Disability Rate	SoA	80% of Reinsurance Rates

2023	Source	Table used and adjustments
Mortality Rate	SoA	45% of 75-80 Ultimate
Disability Rate	SoA	25% of 75-80 Ultimate

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

For deferred fixed annuity and universal life contracts, crediting rates and discount rates (see ‘Discount rates’ below), and for participating contracts, the extent to which participation percentages exceed minimum participation percentages are key assumptions in measuring those contracts. The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities. In the current economic environment, the amounts credited are often determined by interest rate guarantees. The participation percentages applied in both 2024 and 2023 were the minimum participation rates.

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

Non-life contracts

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

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount rates

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

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

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

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

Risk-free Rate

Under this approach Bahrain's Government bonds are considered to be risk-free due to the low probability of default of the government. An alternative is available, wherein the Government Risk free curve is constructed from the USD risk free curve given the BHD is pegged with the USD.The US Treasury bond yields, considered to be the US Risk-free rates, as at the date of measurements are taken. The Bahrain's Risk Free Rate is derived from the US Risk Free Rate and the Bahrain's Country Risk Premium.

Illiquidity Premium

The adjustment to reflect the liquidity characteristics of the insurance contracts has been broadly termed the illiquidity premium. Highly liquid insurance contracts would have a low (or even no) illiquidity premium while very illiquid contracts would have a higher illiquidity premium. In order to understand the nature of insurance contract liquidity characteristics, the Group has considered the lapse rates and the surrender value. Higher the lapse rates or higher the surrender value, more liquid is the contract.

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

	2024					2023				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	1 year	5 years	10 years	15 years	20 years
USD	5.36%	5.59%	5.81%	5.99%	6.18%	6.44%	5.47%	5.52%	5.73%	5.95%

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

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

Risk adjustments for non-financial risk

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

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

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

SOLVENCY II LIFE RISK MODULES

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

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

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

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

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

5 USE OF JUDGEMENTS AND ESTIMATES (continued)

iv) Contractual service margin

Determination of coverage units

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

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

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

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

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

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

6 DISPOSAL GROUPS HELD FOR SALE

On 11 August 2024, the Group publicly announced the decision of its Board of Directors to accept a binding offer received to sell 100% of its wholly owned subsidiaries, Bahrain National Insurance Company B.S.C. (c) and Bahrain National Life Assurance Company B.S.C. (c) (the "Subsidiaries") for a total purchase price of BHD 75 million (the "Transaction") subject to shareholders' approval. The shareholders approved the Transaction on 3 October 2024. Accordingly, the Subsidiaries have been classified as assets held for sale and as discontinuing operations.

The Group publicly announced on 9 January 2025 that Bahrain National Holding Company B.S.C. ("BNH") and Solidarity Bahrain B.S.C. ("Solidarity') have signed the Shares Sale and Purchase Agreement ("SPA"). As of the date of issuance of these consolidated financial statements, the regulatory and other requirements to execute the agreement are in progress.

The Group's assessment was mainly based on the fact that the Group remains committed to the Transaction, assets subject to the disposal plan were available for immediate sale in present condition and the SPA is expected by 31 March 2025.

A. Impairment losses relating to the disposal groups

As per management assessment, no impairment related to the assets of the Transaction to be recognised.

B. Assets and liabilities of the disposal groups held for sale

	Note	31 December 2024
ASSETS		
Cash and cash equivalents	7	17,128
Financial investments	8	48,192
Insurance contract assets	14	10
Reinsurance contract assets	14	13,366
Equity accounted investees	9b	1,842
Property and equipment	12	638
Other assets	13	2,712
Assets held for sale		**83,888**
LIABILITIES		
Insurance contract liabilities	14	32,612
Reinsurance contract liabilities	14	2,357
Investment contract liabilities	15	1,827
Other provisions and liabilities	16	2,065
Liabilities directly associated with the assets held for sale		**38,861**

C. Cumulative income or expenses in OCI

	31 December 2024
Amounts included in accumulated OCI:	
General reserve	4,166
Fair value reserve of equity investments	573
Reserve of disposal groups classified as held for sale	**4,739**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

6 DISPOSAL GROUPS HELD FOR SALE (continued)

D. Results of discontinuing operations

	Note	31 December 2024	31 December 2023
Insurance revenue	21	54,040	45,054
Insurance service expenses	23	(42,822)	(24,969)
Net expenses from reinsurance contracts		(7,571)	(13,666)
Insurance service result		**3,647**	6,419
Investment return		**3,646**	3,017
Net finance expenses from insurance contracts		(732)	(834)
Net finance income from reinsurance contracts		562	592
Net financial result		**3,476**	2,775
Share of profit of equity accounted investees		622	512
Other income		688	644
Other expenses	23	(1,389)	(949)
Profit for the year		**7,044**	9,401
Basic and diluted earnings per share		**58 fils**	77 fils

E. Cash flows from discontinuing operations

	31 December 2024	31 December 2023
Net cash from operating activities	19,318	6,236
Net cash used in investing activities	(27)	(108)
Net cash used in financing activities	(7,608)	(5,751)
Net cash flows during the year	**11,683**	377

7 CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash and bank accounts*	5,095	5,884
Fixed deposits with maturities of three months or less	6,692	-
Treasury bills with maturities of three months or less	5,876	-
	17,663	5,884
Loss allowance	(38)	(12)
Classified to assets held for sale (Note 6)	(17,128)	-
	497	5,872

* This includes an amount of BD 128 thousand which is not available for day to day operation (2023: BD 78 thousand).

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

8 FINANCIAL INVESTMENTS

	31 December 2024	31 December 2023
Fair value through profit or loss (a)	9,469	9,480
Fair value through other comprehensive (b)	23,311	21,405
Debt securities at amortized cost (c)	16,194	19,361
Placements with banks, with maturities of more than three months (d)	12,107	23,659
	61,081	73,905
Classified to assets held for sale (Note 6)	(48,192)	-
	12,889	73,905

a) Fair Value Through Profit or Loss

	31 December 2024	31 December 2023
Listed securities:		
- Equity securities	118	116
- Government debt securities	694	597
- Corporate debt securities	3,271	3,421
- Managed funds	3,374	3,199
Unlisted funds	2,012	2,147
	9,469	9,480

Movement during the year:	**2024**	2023
Opening balance	9,480	11,894
Purchases	328	740
Sales	(605)	(3,581)
Fair value movement	266	427
	9,469	9,480

b) Fair Value through Other Comprehensive Income

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

	31 December 2024	31 December 2023
Quoted equity securities	22,680	21,032
Unquoted equity securities	631	373
	23,311	21,405

Movement during the year:	**2024**	2023
Opening balance	21,405	19,532
Purchases	3,006	1,268
Disposals	(1,883)	(608)
Fair value movement	783	1,213
	23,311	21,405

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

8 FINANCIAL INVESTMENTS (continued)

The Group has sold equity securities held at FVOCI in line with the Group's investment strategy. Dividend income recognized from investments measured at FVOCI amounted to BD 708 thousand (2023: BD 619 thousand).

FVOCI investments by industry	31 December 2024	31 December 2023
Communication services	2,527	2,239
Consumer discretionary	1,901	1,027
Consumer staples	38	38
Consumer cyclical	40	-
Consumer non-cyclical	143	-
Energy	1,019	856
Financial Instituitions	13,810	12,959
Industrials	1,899	1,596
Information technology	427	186
Materials	826	1,426
Real estate	380	452
Utilities	302	253
	23,311	21,405

c) Debt securities at amortized cost

	31 December 2024	31 December 2023
Government debt securities	7,863	9,611
Corporate debt securities	8,334	9,760
	16,197	19,371
Loss allowance	(3)	(10)
	16,194	19,361

Movement during the year:	31 December 2024	31 December 2023
Opening balance	19,361	24,061
Purchases	2,895	7,015
Matured securities	(6,136)	(11,814)
Accretion of discount	67	87
Reversal of allowance	7	12
	16,194	19,361

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

8 FINANCIAL INVESTMENTS (continued)

d) Placements with banks

	31 December 2024	31 December 2023
Placements with banks, with maturities of more than three months	12,160	23,761
Loss allowance	(53)	(102)
	12,107	23,659

e) Policyholders' investments

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

	2024	2023
Cash equivalents	60	28
Placements with banks	912	1,310
Financial investments	2,271	2,263
	3,243	3,601

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

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
		2024	2023		
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	27.00%	27.00%	Associate	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20.00%	20.00%	Associate	Primarily provides insurance coverage for motor vehicles
Health 360 Ancillary Services W.L.L.	Kingdom of Bahrain	22.20%	22.20%	Associate	Processing insurance claims as a third party administrator

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

9 EQUITY ACCOUNTED INVESTEES (continued)

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

2024	**National Finance House**	**Al Kindi Specialised Hospital**	**United Insurance Company**	**Health 360 Ancillary Services**	**Total**
Opening balance	5,939	2,153	3,237	241	**11,570**
Share of profit	323	131	1,246	38	**1,738**
Dividends received	-	(54)	(800)	(27)	**(880)**
Share of other comprehensive income	-	-	1	-	**1**
	6,262	**2,230**	**3,684**	**252**	**12,429**
Classified to assets held for sale (Note 6)	-	-	(1,842)	-	**(1,842)**
	6,262	**2,230**	**1,842**	**252**	**10,587**

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

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

2024	**National Finance House**	**United Insurance Company**	**Al Kindi Specialised Hospital**
Total assets	46,957	36,065	11,053
Total liabilities	29,030	17,647	3,017
Net assets	17,927	18,418	8,036
Group's share of net assets	**6,262**	**3,684**	**2,230**
Revenue	3,212	13,472	8,973
Profit	988	5,555	484
Other comprehensive income	-	4	-
Total comprehensive income	988	5,559	484
Group's share in total comprehensive income	**323**	**1,247**	**131**

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

9 EQUITY ACCOUNTED INVESTEES (continued)

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

d) **Reporting dates of financial information of associates**

For the equity accounted investees existing as of 31 December 2024, the information is taken from the financial information for the year ended 31 December 2024 and 2023.

10 INVESTMENT IN SUBSIDIARIES

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

Name of the entity	Place of business / country of incorporation	Date of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interest		Principal activities
			2024	2023	**2024**	2023	
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	**100%**	75%	-	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.

On 11 August 2024, the Group publicly announced the decision of its Board of Directors to accept a binding offer received to sell 100% of its wholly owned subsidiaries, Bahrain National Insurance Company B.S.C. (c) and Bahrain National Life Assurance Company B.S.C. (c) (the "Subsidiaries") for a total purchase price of BHD 75 million (the "Transaction") subject to shareholders' approval. The shareholders approved the Transaction on 3 October 2024. See Note 6 Disposal Groups Held for Sale.

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

11 INVESTMENT PROPERTIES

2024	**BNH Tower in Seef**	**BNH Building in Sanad**	**Total**
Cost			
At 1 January	2,927	1,929	4,856
Additions	-	4	4
At 31 December	**2,927**	**1,933**	**4,860**
Accumulated depreciation			
At 1 January	1,940	824	2,764
Depreciation	92	51	143
At 31 December	**2,032**	**875**	**2,907**
Net book value at 31 December	**895**	**1,058**	**1,953**
Fair value at 31 December*	**2,015**	**1,860**	**3,875**

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

12 PROPERTY AND EQUIPMENT

2024	**Right-of-use assets**	**Lands and buildings**	**Machinery**	**Furniture & equipment**	**Total**
Cost					
At 1 January	685	4,865	789	1,976	8,315
Additions	25	-	10	33	68
Disposals	(453)	(258)	-	(15)	(726)
At 31 December	**257**	**4,607**	**799**	**2,004**	**7,657**
Accumulated depreciation					
At 1 January	329	2,504	758	1,813	5,404
Depreciation	35	128	5	66	234
Disposals	(164)	(258)	-	(10)	(432)
At 31 December	**200**	**2,374**	**763**	**1,869**	**5,206**
Net book value at 31 December	**57**	**2,233**	**36**	**125**	**2,451**
Classified to assets held for sale (Note 6)	(57)	(511)	-	(70)	(638)
	-	**1,722**	**36**	**55**	**1,813**

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

13 OTHER ASSETS

	2024	2023
Accrued income	1,377	1,535
Intangible assets	264	337
Statutory deposits	147	136
Recoverable deposits	51	205
Receivables from investment brokers	174	468
Lease receivables	85	75
Loss allowance on lease receivables	(74)	(71)
Prepayments and advances	81	111
VAT recoverable	180	162
Miscellaneous	877	932
Loss allowance on other assets	(158)	(154)
	3,004	3,736
Classified to assets held for sale (Note 6)	(2,712)	-
	292	3,736

14 INSURANCE AND REINSURANCE CONTRACTS

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

	31 December 2024 *		31 December 2023	
	Assets	**Liabilities**	Assets	Liabilities
Insurance contracts issued	**10**	**32,612**	-	27,674
Reinsurance contracts held	**13,366**	**2,357**	10,933	3,906

* The insurance and reinsurance contract assets and liabilities have been classified as assets held for sale and as liabilities directly associated with the assets held for sale. See Note 6 Disposal Groups Held for Sale.

A. Movement in insurance and reinsurance contract balances

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

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

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

a. Insurance contracts

i. Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2024	**Excluding loss component**	**Loss component**	**Contracts not under PAA**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets, 1 January 2024	-	-	-	-	-	-
Opening liabilities, 1 January 2024	7,583	500	-	18,526	1,065	27,674
Net opening balance, 1 January 2024	**7,583**	**500**	**-**	**18,526**	**1,065**	**27,674**
Changes in the statement of profit or loss						
Insurance revenue	**(54,040)**	**-**	**-**	**-**	**-**	**(54,040)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	151	36,513	-	36,664
Amortisation of insurance acquisition cash flows	2,771	-	-	-	-	2,771
Losses and reversals of losses on onerous contracts	-	205	-	-	-	205
Adjustments to liabilities for incurred claims	-	-	(79)	3,036	225	3,182
Investment components	(79)	**-**	**79**	**-**	**-**	**-**
Insurance service result	**(51,348)**	**205**	**151**	**39,549**	**225**	**(11,218)**
Net finance expenses / (income) from insurance contracts	79	9	-	644	-	732
Total changes in the statement of profit or loss	**(51,269)**	**214**	**151**	**40,193**	**225**	**(10,486)**
Cash flows						
Premiums received	55,023	-	-	-	-	55,023
Claims and other insurance service expenses paid	-	-	(151)	(36,513)	-	(36,664)
Insurance acquisition cash flows	(2,945)	-	-	-	-	(2,945)
Total cash flows	**52,078**	**-**	**(151)**	**(36,513)**	**-**	**15,414**
Net closing balance, 31 December 2024	**8,392**	**714**	**-**	**22,206**	**1,290**	**32,602**
Closing assets, 31 December 2024	(86)	-	-	73	3	(10)
Closing liabilities, 31 December 2024	8,478	714	-	22,133	1,287	32,612
Net closing balance, 31 December 2024	**8,392**	**714**	**-**	**22,206**	**1,290**	**32,602**

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2023	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims: Contracts not under PAA	Liabilities for incurred claims: Contracts under PAA: Estimate of present value of future cash flows	Liabilities for incurred claims: Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets, 1 January 2023	(249)	-	-	119	6	(124)
Opening liabilities, 1 January 2023	4,626	473	-	23,499	1,175	29,773
Net opening balance, 1 January 2023	4,377	473	-	23,618	1,181	29,649
Changes in the statement of profit or loss						
Insurance revenue	(45,054)	-	-	-	-	(45,054)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	182	28,726	-	28,908
Amortisation of insurance acquisition cash flows	2,091	-	-	-	-	2,091
Losses and reversals of losses on onerous contracts	-	6		-	-	6
Adjustments to liabilities for incurred claims	-	-	-	(5,924)	(112)	(6,036)
Insurance service result	(42,963)	6	182	22,802	(112)	(20,085)
Net finance expenses / (income) from insurance contracts	(15)	21	-	832	(4)	834
Total changes in the statement of profit or loss	(42,978)	27	182	23,634	(116)	(19,251)
Cash flows						
Premiums received	47,958	-	-	-	-	47,958
Claims and other insurance service expenses paid	-	-	(182)	(28,726)	-	(28,908)
Insurance acquisition cash flows	(1,774)	-	-	-	-	(1,774)
Total cash flows	46,184	-	(182)	(28,726)	-	17,276
Net closing balance, 31 December 2023	7,583	500	-	18,526	1,065	27,674
Closing assets, 31 December 2023	-	-	-	-	-	-
Closing liabilities, 31 December 2023	7,583	500	-	18,526	1,065	27,674
Net closing balance, 31 December 2023	7,583	500	-	18,526	1,065	27,674

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

31 December 2024	Estimates of present value of future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin (CSM)	Total
Net opening balance, 1 January 2024	**1,118**	**37**	**420**	**1,575**
Changes in the statement of profit or loss				
Changes that relate to current services				
CSM recognised for services provided	-	-	(65)	(65)
Change in risk adjustment for non-financial risk for risk expired	-	(5)	-	(5)
Experience adjustments	(65)	-	-	(65)
Changes that relate to future services				
Contracts initially recognised in the year	(10)	6	25	21
Experience adjustments	(19)	20	33	34
Changes in estimates that adjust the CSM	(29)	2	27	-
Changes in estimates that do not adjust the CSM	(15)	3	-	(12)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**(138)**	**26**	**20**	**(92)**
Net finance expenses from insurance contracts	59	3	27	89
Total changes in the statement of profit or loss	**(79)**	**29**	**47**	**(3)**
Cash flows				
Premiums received	221	-	-	221
Insurance acquisition cash flows	14	-	-	14
Claims and other insurance service expenses paid	(152)	-	-	(152)
Total cash flows	**83**	**-**	**-**	**83**
Net closing balance, 31 December 2024	**1,122**	**66**	**467**	**1,655**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

b. Reinsurance contracts

i. Analysis by remaining coverage and incurred claims

	31 December 2024				31 December 2023			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss component	Loss component	Assets for incurred claims	Total	Excluding loss component	Loss component	Assets for incurred claims	Total
Opening assets	(3,206)	-	14,139	10,933	(961)	-	17,201	16,240
Opening liabilities	(7,634)	15	3,713	(3,906)	(8,327)	-	1,972	(6,355)
Net opening balance	**(10,840)**	**15**	**17,852**	**7,027**	(9,288)	-	19,173	9,885
Allocation of reinsurance premiums paid	**(25,106)**	**-**	**-**	**(25,106)**	(23,031)	-	-	(23,031)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service Expenses	2,266	-	10,545	12,811	2,509	1	8,698	11,208
Recoveries and reversals of recoveries of losses on onerous underlying contracts	(1)	38	-	37	(3)	14	-	11
Adjustments to assets for incurred claims	-	(3)	4,690	4,687	-	-	(1,854)	(1,854)
	2,265	**35**	**15,235**	**17,535**	2,506	15	6,844	9,365
Net expenses from reinsurance contracts	**(22,841)**	**35**	**15,235**	**(7,571)**	(20,525)	15	6,844	(13,666)
Net finance income / (expenses) from reinsurance contracts	(12)	1	573	562	2	-	590	592
Total changes in the statement of profit or loss	**(22,853)**	**36**	**15,808**	**(7,009)**	(20,523)	15	7,434	(13,074)
Cash flows								
Premiums paid, net of commissions	21,536	-	-	21,536	18,971	-	-	18,971
Amounts received relating to incurred claims	-	-	(10,545)	(10,545)	-	-	(8,755)	(8,755)
Total cash flows	**21,536**	**-**	**(10,545)**	**10,991**	18,971	-	(8,755)	10,216
Net closing balance	**(12,157)**	**51**	**23,115**	**11,009**	(10,840)	15	17,852	7,027
Closing assets	(6,086)	38	19,414	13,366	(3,206)	-	14,139	10,933
Closing liabilities	(6,071)	13	3,701	(2,357)	(7,634)	15	3,713	(3,906)
Net closing balance	**(12,157)**	**51**	**23,115**	**11,009**	(10,840)	15	17,852	7,027

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

31 December 2024	**Estimates of present value of future cash flows**	**Risk adjustment for nonfinancial risk**	**Contractual Service Margin (CSM)**	**Total**
Opening balance, 1 January 2024	**(50)**	**(7)**	**162**	**105**
Changes in the statement of profit or loss				
Changes that relate to current services				
CSM recognised for services provided	-	-	(5)	(5)
Change in risk adjustment for non-financial risk for risk expired	-	2	-	2
Experience adjustments	(7)	-	-	(7)
Changes that relate to future services				
Contracts initially recognised in the year	11	(2)	(16)	(7)
Experience adjustments	121	(9)	(109)	3
Changes in estimates that adjust the CSM	-	2	(2)	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	**125**	**(7)**	**(132)**	**(14)**
Net finance income from reinsurance contracts	3	(1)	9	11
Total changes in the statement of profit or loss	**128**	**(8)**	**(123)**	**(3)**
Cash flows				
Premiums paid	(73)	-	-	(73)
Claims and other insurance service expenses paid	55	-	-	55
Total cash flows	**(18)**	**-**	**-**	**(18)**
Closing balance, 31 December 2024	**60**	**(15)**	**39**	**84**

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

B. Effect of contracts initially recognised in the year

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

Long-term life assurance

i. Insurance contracts

2024	**Profitable contracts issued**	**Onerous contract issued**	**Total**
Claims and other insurance service expenses payable	(71)	(76)	(147)
Insurance acquisition cash flows	(2)	-	(2)
Estimates of present value of cash outflows	(73)	(76)	(149)
Estimates of present value of cash inflows	101	58	159
Risk adjustment for non-financial risk	(3)	(4)	(7)
CSM	25	-	25
Losses recognised on initial recognition	**-**	**(22)**	**(22)**

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

ii. Reinsurance contracts

2024	**Contracts initiated without loss-recovery component**	**Contracts initiated with loss-recovery component**	**Total**
Estimates of present value of cash outflows	-	(45)	(45)
Estimates of present value of cash inflows	-	35	35
Risk adjustment for non-financial risk	-	2	2
CSM	-	8	8
Losses recognised on initial recognition	**-**	**-**	**-**

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

C. Contractual service margin

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

Long-term life assurance

31 December 2024	**1 year or less**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5–10 years**	**More than 10 years**	**Total**
Insurance contracts	466	396	335	280	231	561	73	**2,342**
Reinsurance contracts	40	30	22	16	11	13	-1	**131**

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

D. Non-life claims development

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

i. Gross insurance claims for general insurance business

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims											
At end of reporting year	8,850	4,772	4,798	6,577	8,114	7,590	5,737	11,027	6,238	**10,295**	73,998
One year later	8,928	5,833	5,813	6,512	9,357	7,459	5,273	8,472	**5,402**		63,049
Two years later	9,433	5,934	5,788	7,806	7,745	7,897	4,659	**7,903**			57,165
Three years later	9,629	5,729	7,240	8,308	7,156	6,148	**4,367**				48,577
Four years later	9,589	6,349	7,372	8,123	6,718	**5,643**					43,794
Five years later	5,869	6,329	7,326	7,833	**6,775**						34,132
Six years later	5,926	6,315	7,316	**7,768**							27,325
Seven years later	5,931	6,297	**7,315**								19,543
Eight years later	5,930	**6,292**									12,222
Nine years later	**5,930**										5,930
Current estimate of cumulative claims **(A)**	5,930	6,292	7,315	7,768	6,775	5,643	4,367	7,903	5,402	10,295	67,690
Cumulative payments to date **(B)**	5,699	6,196	7,289	7,108	6,159	5,054	3,884	6,830	3,590		51,809
Total (A – B)	**231**	**96**	**26**	**660**	**616**	**589**	**483**	**1,073**	**1,812**	**10,295**	**15,881**
Reserve in respect of years prior to 2015											849
Gross liabilities for incurred claims											**16,730**
Claims payable, net of subrogation and salvage recoveries											(1,860)
Risk adjustment for non-financial risk											(411)
Impact of discounting on liabilities for incurred claims											647
Aggregate carrying amount of liabilities for incurred claims for Motor and General Insurance											**15,106**

ii. Net insurance claims for general insurance business

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of ultimate claims costs:											
At end of reporting year	2,083	2,201	2,888	4,477	5,791	3,519	4,251	5,630	3,552	**5,694**	40,086
One year later	2,794	3,122	3,360	3,452	3,725	3,058	2,310	3,397	**3,494**		28,712
Two year later	3,142	3,442	2,215	3,642	4,492	3,570	2,999	**2,807**			26,309
Three year later	3,364	2,872	4,241	4,394	4,151	4,118	**2,711**				25,851
Four year later	2,993	2,596	2,656	2,449	2,559	**3,900**					17,153
Five year later	2,887	2,867	2,842	2,843	**2,573**						14,012
Six year later	3,111	3,002	3,050	**2,850**							12,013
Seven year later	3,283	3,197	**3,049**								9,529
Eight year later	3,129	**3,259**									6,388
Nine year later	**3,138**										3,138
Current estimate of cumulative claims **(A)**	3,138	3,259	3,049	2,850	2,573	3,900	2,711	2,807	3,494	5,694	33,475
Cumulative payments to date **(B)**	3,118	3,247	3,043	2,830	2,421	3,759	2,652	2,500	2,728		26,298
Total (A – B)	**20**	**12**	**6**	**20**	**152**	**141**	**59**	**307**	**766**	**5,694**	**7,177**
Net reserve in respect of years prior to 2015											87
Net liabilities for incurred claims											**7,264**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

15 INVESTMENT CONTRACT LIABILITIES

	2024	2023
Group savings scheme		
Balance at 1 January	1,737	1,487
Contributions received	218	181
Benefits paid	(185)	(111)
Investment return	86	106
Management fee	(10)	(11)
Actuarial adjustment on future benefit obligations	(19)	85
Balance at 31 December	**1,827**	1,737
Future benefit obligations per statement of financial position	**1,827**	1,737
Actuarial estimate of the present value of future benefit obligations at 31 December	**1,827**	1,737

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

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

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

The Group offers, on a voluntary basis, to its Bahraini employees, a defined contribution plan, which is determined by the annual contributions paid by the Group and the employees to a post-employment benefit plan, together with investment returns arising from the contributions.

The Group's contributions in 2024 amounted to BD 84 thousand (2023: BD 76 thousand). The contributions received are invested as part of policyholders' investments.

16 OTHER LIABILITIES

	2024	2023
Provision for employees' benefits	746	926
Employees' leaving indemnities	227	218
Lease liabilities	62	419
Cash collateral	-	324
VAT payables	271	305
Medical claims care fund	160	151
Hit and run levy fee	134	125
Other	1,406	1,582
	3,006	4,050
Classified to liabilities directly associated with the assets held for sale	(2,065)	-
	941	4,050

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

16 OTHER LIABILITIES (continued)

Lease liabilities

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

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

i) Right-of-use assets

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

ii) Lease liabilities

See note 26 for a maturity analysis of lease liabilities as at 31 December 2024 and 2023, and note 31 for the movements in lease liabilities for the years then ended.

iii) Amounts recognised in profit or loss

	2024	2023
Interest on lease liabilities	7	29
Expenses relating to leases of low-value assets	18	16
	25	45

iv) Amounts recognised in the statement of cash flows

	2024	2023
Total cash outflow for leases	**52**	84

17 RETIREMENT BENEFITS COST

As at 31 December 2024, the Group employed 155 Bahrainis (2023: 158 Bahrainis) and 13 expatriates (2023: 15 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 2024 amounted to BD 382 thousand (2023: BD 357 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 2024 amounted to BD 84 thousand (2023: BD 76 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 2024 amounted to BD 950 thousand (2023: BD 946 thousand) and is included in the Investment contract liabilities (note 15). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (note 8d).

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

17 RETIREMENT BENEFITS COST (continued)

As per the changes in end-of-service benefits system for expatriate employees introduced by Social Insurance Organisation (SIO) effective from 1 March 2024, employers are required to pay the monthly end-of-service contributions electronically through the SIO portal in relation to the expatriate employees. SIO would be responsible to settle leaving indemnities for expat employees at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Company.

Movement in expatriate employees' leaving indemnities:

	2024	2023
Balance at 1 January	218	527
Net charge / (release) during the year	52	(68)
Payments	(30)	(241)
Transferred to SIO during the year	(13)	-
Balance at 31 December	**227**	218

18 SHARE CAPITAL

	Number 2024	**Amount 2024**	Number 2023	Amount 2023
a) **Authorised shares 100 fils each**	**200,000,000**	**20,000**	200,000,000	20,000
b) **Issued and fully paid**	**119,175,000**	**11,918**	119,175,000	11,918

c) **Treasury shares:**

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

	Number 2024	**Amount 2024**
Balance at 1 January	-	-
Purchases of treasury shares during the year	599,250	300
Balance at 31 December	**599,250**	**300**

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

	2024	2023
Basic and diluted earnings per share – fils	43.4	58.1
Proposed cash dividend – fils	35.0	35.0
Book value per share – fils	605.1	587.8
Stock exchange price at 31 December – fils	505.0	505.0
Market capitalization at 31 December – in thousands of BD	60,183	60,183
Price/Earnings ratio at 31 December	11.6	8.7

e) **Earnings per share**

The calculation of earnings per share is based on the net profit attributable to the shareholders for the year of BD 5,164 thousand (2023: BD 6,927 thousand), attributable to 118,950,944 ordinary shares (2023: BD 119,175,000 ordinary shares) for basic earnings, being the weighted average number of ordinary shares outstanding during the year.

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

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18 SHARE CAPITAL (continued)

f) Major shareholders

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

	Nationality	No. of shares	Shareholding (%)
Abdulhameed Zainal Mohamed Zainal	Bahraini	8,176,003	6.86%
National Insurance Company	Iraqi	7,808,734	6.55%

g) Share premium

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

h) Additional information on shareholding pattern

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

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

Shareholding (share)	Number of shareholders	Number of shares held	Shareholding %
Less than 50,000	513	6,195,697	5.20%
50,000 to 500,000	139	23,825,909	19.99%
500,001 to 5,000,000	46	73,168,657	61.40%
More than 5,000,000	2	15,984,737	13.41%
TOTAL	**700**	**119,175,000**	**100.00%**

19 RESERVES

a) Statutory reserve

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

b) General reserves

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

c) Fair value reserve

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

20 PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2024	2023
Profit as per consolidated statement of profit or loss	5,362	7,226
Net profit attributable to non-controlling interest	(198)	(299)
Profit attributable to shareholders of Parent company	**5,164**	6,927
Proposed appropriations:		
Dividend to shareholders	4,150	4,171
Retained earnings	1,014	2,756
	5,164	6,927

Proposed directors' remuneration is BD 121 thousand (2023: BD 175 thousand). The appropriation of the 2024 profit is subject to approval by shareholders at the Annual General Meeting.

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

21 INSURANCE REVENUE

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

2024	**Life assurance**	**Non-life**	**Total**
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage			
- CSM recognised for services provided	65	-	65
- Change in risk adjustment for nonfinancial risk for risk expired	5	-	5
- Expected incurred claims and other insurance service expenses	117	-	117
Recovery of insurance acquisition cash Flows	1	-	1
	188	**-**	**188**
Contracts measured under PAA	**5,377**	**48,475**	**53,852**
Total insurance revenue	**5,565**	**48,475**	**54,040**

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

22 NET INVESTMENT INCOME

	2024	2023
Interest income on placements with banks	1,594	1,220
Interest income on debt securities	1,038	883
Dividend income	931	824
Net change of fair value on investments at FVTPL	227	341
Net losses on disposal of financial investments	(1)	(141)
Foreign exchange gains	-	1
Accretion of discount on debt securities at amortised cost	67	87
ECL allowance	27	69
Investment properties' income	185	209
Depreciation charges on investment properties	(143)	(143)
Other investment properties' expenses	(68)	(59)
Investment administration expenses	(69)	(52)
	3,788	3,239
Represented by:		
Investment income from continuing operation	142	222
Investment income from discontinuing operation (Note 6)	3,646	3,017
	3,788	3,239

23 EXPENSES

	2024	2023
Claims and benefits	35,663	18,657
Losses on onerous contracts	205	115
Fees and commissions	2,770	2,437
Claims management fees	831	538
Employee costs	4,556	4,525
Depreciation and amortisation	307	351
Impairment loss on building	-	269
IT expenses	503	570
Other expenses	2,144	1,820
	46,979	29,282
Represented by:		
Corporate expenses	2,768	3,364
Insurance service expenses on discontinuing operation (Note 6)	42,822	24,969
Other expenses on discontinuing operation (Note 6)	1,389	949
	46,979	29,282

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

24 SEGMENTAL INFORMATION

For operational and management reporting purposes, the Group is organised into five business segments: "Motor Insurance", "Property & General Insurance"; "Medical Insurance"; "Life Assurance" and "Corporate and Asset Management".

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

Property and General Insurance segment comprises property, general accidents, engineering, marine and aviation.

The Medical Insurance segment comprises medical insurance products.

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

Corporate and Asset Management 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.

2024	Motor (Discontinuing)	Property & General (Discontinuing)	Medical (Discontinuing)	Life Assurance (Discontinuing)	Corporate & Asset Management	Total
Insurance revenue	**13,302**	**15,730**	**19,443**	**5,565**	**-**	**54,040**
Insurance service expenses	(10,840)	(9,526)	(18,347)	(4,109)	-	(42,822)
Net income / (expenses) from reinsurance contracts	(282)	(6,157)	(141)	(991)	-	(7,571)
Insurance service results	**2,180**	**47**	**955**	**465**	**-**	**3,647**
Net finance expenses from insurance contracts	(145)	(357)	(67)	(163)	-	(732)
Net finance (expenses) / income from reinsurance contracts	6	425	64	67	-	562
Investment return	1,197	1,197	288	964	142	3,788
Share of profit of equity accounted investees	311	311	-	-	1,116	1,738
Corporate expenses	-	-	-	-	(2,768)	(2,768)
Other income	438	66	122	62	(172)	516
Other expenses	(857)	(491)	(15)	(26)	-	(1,389)
Segment results	**3,130**	**1,198**	**1,347**	**1,369**	**(1,682)**	**5,362**

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24 SEGMENTAL INFORMATION (continued)

2023	Motor (Discontinuing)	Property & General (Discontinuing)	Medical (Discontinuing)	Life Assurance (Discontinuing)	Corporate & Asset Management	Total
Insurance revenue	11,384	16,936	11,154	5,580	-	45,054
Insurance service expenses	(7,744)	(959)	(11,148)	(5,118)	-	(24,969)
Net income / (expenses) from reinsurance contracts	120	(13,723)	118	(181)	-	(13,666)
Insurance service results	3,760	2,254	124	281	-	6,419
Net finance expenses from insurance contracts	(221)	(492)	(50)	(71)	-	(834)
Net finance (expenses) / income from reinsurance contracts	(2)	477	50	67	-	592
Investment return	1,080	1,080	197	660	222	3,239
Share of profit of equity accounted investees	256	256	-	-	904	1,416
Corporate expenses	-	-	-	-	(3,364)	(3,364)
Other income	412	85	(107)	17	-	(949)
Other expenses	(612)	(247)	165	(18)	63	707
Segment results	4,673	3,413	379	936	(2,175)	7,226

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

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

Geographical information

2024	**Bahrain**	**GCC**	**Other Countries**	**Total**
Insurance revenue	52,824	1,208	8	**54,040**
Non-current assets	31,292	17,765	6,046	**55,103**

2023	Bahrain	GCC	Other Countries	Total
Insurance revenue	44,142	889	23	45,054
Non-current assets	30,030	12,726	10,016	52,772

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.

25 RISK AND CAPITAL MANAGEMENT

a) Risk management framework

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

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

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

b) Insurance Risk Management

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

This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected by a comprehensive reinsurance program placed with highly reputable international reinsurers.

(i) Underwriting Policy

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

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

25 RISK AND CAPITAL MANAGEMENT (continued)

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

(ii) Reinsurance Policy

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

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

25 RISK AND CAPITAL MANAGEMENT (continued)

(iii) Terms and conditions of insurance contracts

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property and Engineering	This contract indemnifies the insured against material damage to the property of the insured being buildings, contents, machinery and equipment, caused by specified perils, or against all risks subject to specific exclusion and limitations. The insured can extend the policy as the loss can also affect the potential income of the insured and therefore covers loss of income based on this business interruption.	The risk on any policy varies according to many factors such as location, age, occupancy, weather conditions and safety measures in place. The events insured against are fortuitous, sudden and unforeseen. Claims have to be notified within a specified period and a surveyor and/or loss adjustor is appointed in most cases. The loss would be the cost to repair, reinstate or replace the assets damaged bringing the insured to the same position before the loss. In cases of business interruption losses, time for completion are key factors influencing the level of claims under these policies.
Casualty (General Accident and Liability)	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of public. And to indemnify the insured against legal liability as a result of an act or omission inured against causing either bodily injury or third party property damage.	There are generally agreed benefits or amounts easily quantified for Casualty. In the case of liability claims these are very much dependent on factors beyond the control of the parties involved such as court proceedings and identification of medical conditions in the case of bodily injury. Estimating claims provisions for these claims involves uncertainties such as the reporting lag, the number of parties involved in the claim, whether the insured event is over multiple time periods and the potential amounts of the claim. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Marine Hull and Cargo	These are very standard contracts within the international spectrum and indemnify the insured against loss of cargo and in the case of hull against material damage to the hull or liability arising out of the use of the hull.	The nature of marine business especially cargo is cross border movement of goods and therefore tend to take longer to quantify or to establish the cause of loss. Underwriters use various loss adjustors to protect their interest. The main risk is the establishing the correct cause of loss. Most of these losses will initiate rights of recovery from third parties and even this presents some uncertainty as to quantum and time.
Motor	Motor insurance contracts provide cover in respect of policyholder's private cars and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements	In general, claims lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also connected with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.

25 RISK AND CAPITAL MANAGEMENT (continued)

Type of contract	Terms and conditions	Key factors affecting future cash flows
Medical	These contracts pay benefits for medical treatment and hospital expenses. The policyholder is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of policyholders becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. Premium revisions are responded reasonably quickly to adverse claims experience.
Term life	These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group life	These contracts are type of life insurance in which a single contract covers an entire group of people. Typically, the policyholder is an employer or an entity and the policy covers the employees or members of the group. These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group Credit life	These contracts are type of life insurance designed to pay off a borrower's debt if the borrower dies. The face value of a credit life insurance policy decreases proportionately with the outstanding loan amount as the loan is paid off over time, until both reach zero value.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group retirement plans	These contracts pay benefits based on employer terms and conditions in case of the death, disability or retirement of the participants. The policyholder is indemnified based on fixed pre-determined benefits considering period of membership, accumulated contributions, administration or surrender fees and bonus return, when applicable.	Surrenders and benefits under these contracts depend on both the life or determined disability of participants. Surrenders and benefits are generally notified promptly and can be settled without delay from the participants portfolio. Contributions are received on timely basis.
Individual savings plans	These contracts are spilt into 3 categories: Future Security Plan (FSP), Child Education Plans and Endowment with profit Plans. These plans include protection benefits such as life insurance, waiver of premium and permanent disability cover. All the policyholders are given a guaranteed cash value schedule at policy issue date for the whole duration of their policy.	Surrenders and benefits under these contracts depend on both the life or determined disability of participants. Surrenders and benefits are generally notified promptly and can be settled without delay from the participants portfolio. Contributions are received on timely basis.

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25 RISK AND CAPITAL MANAGEMENT (continued)

(iv) Risk exposure and concentration of insurance risk

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

	2024	2023
Motor	13,122	11,351
Property	687	823
Engineering	140	197
Liability	271	435
General Accidents	309	429
Marine	99	85
Medical	12,802	7,293
Life	1,678	1,640
	29,108	22,253

(v) Sensitivity analysis

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

	CSM		**Profit or loss**		**Equity**	
2024	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Non-Life Insurance						
Expense rate						
1 percent increase	-	-	(75)	(51)	(71)	(47)
1 percent decrease	-	-	75	51	71	47
Expected loss ratio						
1 percent increase	-	-	(357)	(204)	(244)	(158)
1 percent decrease	-	-	357	204	244	158
Life Assurance						
Demographic assumptions						
15 percent increase in base mortality rate	(59)	(31)	(27)	(24)	(86)	(55)
15 percent decrease in base mortality rate	59	31	27	24	86	55
35 percent increase in base morbidity rate in 1 year, 25 percent increase in Year 2 and 20 percent decrease in Year 3 onwards	-	-	3	(1)	3	(1)
35 percent decrease in base morbidity rate in 1 year, 25 percent decrease in Year 2 and 20 percent increase in Year 3 onwards	-	-	(3)	1	(3)	1
Expense assumptions						
10 percent increase	(9)	(9)	(6)	(10)	(15)	(19)
10 percent decrease	9	9	6	10	15	19
Lapse rate						
50 percent increase	35	36	28	25	63	61
50 percent decrease	(42)	(43)	(31)	(35)	(73)	(78)

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

25 RISK AND CAPITAL MANAGEMENT (continued)

	CSM		Profit or loss		Equity	
2023	Gross	Net	Gross	Net	Gross	Net
Non-Life Insurance						
Expense rate						
1 percent increase	-	-	(65)	(41)	(65)	(41)
1 percent decrease	-	-	65	41	65	41
Expected loss ratio						
1 percent increase	-	-	(187)	(119)	(187)	(119)
1 percent decrease	-	-	187	119	187	119
Life Assurance						
Demographic assumptions						
15 percent increase in base mortality rate	(46)	(18)	(31)	(27)	(77)	(45)
15 percent decrease in base mortality rate	46	18	31	27	77	45
35 percent increase in base morbidity rate in 1 year, 25 percent increase in Year 2 and 20 percent decrease in Year 3 onwards	-	-	-	-	-	-
35 percent decrease in base morbidity rate in 1 year, 25 percent decrease in Year 2 and 20 percent increase in Year 3 onwards	-	-	-	-	-	-
Expense assumptions						
10 percent increase	(10)	(10)	(9)	(9)	(19)	(19)
10 percent increase	10	10	9	9	19	19
Lapse rate						
50 percent increase	28	27	42	41	70	68
50 percent increase	(28)	(27)	(42)	(41)	(70)	(68)

The Group has certain single insurance contracts which it considers as risks of high severity but very low frequency. The Company 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, engineering and marine and BD 200 thousand in case of causality whereas in case of motor losses Group's exposure to a single event is limited to BD 100 thousand.

c) Financial and operational risk management

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

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

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

25 RISK AND CAPITAL MANAGEMENT (continued)

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

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

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

(i) Credit risk

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

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

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

Management of credit risk

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

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

25 RISK AND CAPITAL MANAGEMENT (continued)

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	**2024**	2023
Insurance contract assets	10	-
Reinsurance contract assets	13,366	10,933
Financial investment securities:		
- FVTPL debt instruments	3,965	4,018
- Debt instruments at amortized cost	16,197	19,371
- Placements with banks	12,160	23,761
Cash equivalents with banks	17,659	5,879
Lease receivables	85	75
Statutory deposits	147	136
Other assets	2,740	3,413
	66,329	67,586

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

Credit quality analysis

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

The ratings given below are by established rating agencies.

	2024	2023
Debt instruments measured at FVTPL and at amortized cost		
A- to A+	3,350	3,138
BBB- to BBB+	15,651	19,093
Unrated	1,158	1,148
	20,159	23,379

Concentrations of credit risk

The Group monitors concentrations of exposures by industry sector and geographic location of the counterparty as well as by individual counterparties. Counterparty concentration occurs mainly because of the investment management accounts maintained with the various investment bankers. Geographical concentrations at the reporting date have been presented in note 27.

Notes to the Consolidated Financial Statements (Continued)

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25 RISK AND CAPITAL MANAGEMENT (continued)

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

	2024	2023
Debt instruments:		
Government of Bahrain	**14,282**	10,057
Bank balances and receivables:		
Arab Bank	**7,445**	7,152
Mashreq Bank	**6,057**	7,269
Bank of Bahrain and Kuwait	**3,116**	7,325
The Housing Bank for Trade and Finance	**2,004**	-
Ahli United Bank	**1,825**	2,442
National Bank of Bahrain	**1,373**	976
Kuwait Finance House	**1,077**	3,641

Amounts arising from ECL on financial assets

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

	2024 Stage 1: 12-month ECL	2023 Stage 1: 12-month ECL
Debt instruments as amortized cost		
Balance at 1 January	10	22
Net remeasurement of loss allowance	(7)	(12)
	3	10

	2024 Stage 1: 12-month ECL	2023 Stage 1: 12-month ECL
Cash and cash equivalents and placements with banks with maturities of more than three months		
Balance at 1 January	114	168
Net remeasurement of loss allowance	(23)	(54)
	91	114

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

25 RISK AND CAPITAL MANAGEMENT (continued)

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

	2024 Stage 3: Lifetime ECL credit-impaired	2023 Stage 3: Lifetime ECL credit-impaired
Lease receivables		
Balance at 1 January	71	71
Net remeasurement of loss allowance	3	-
	74	71

	2024 Stage 3: Lifetime ECL credit-impaired	2023 Stage 3: Lifetime ECL credit-impaired
Other assets		
Balance at 1 January	154	149
Net remeasurement of loss allowance	4	5
	158	154

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

(ii) Liquidity risk

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

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Group does not normally resort to borrowings but, given its gearing, has the ability to raise funds from banks at short notice. The maturity profile of the Group's investments is set out in note 26.

Management of liquidity risk

The Group limits liquidity risks by continually reconciling the cash flows and assets of the Group with payment liabilities. Methodologies adopted for Group assets and liabilities valuation have been disclosed in material accounting policies in note 5. The Group is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts.

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

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25 RISK AND CAPITAL MANAGEMENT (continued)

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

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

Exposure to liquidity risk

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

2024	**Undiscounted contractual cash flows**						
Financial liabilities	**Carrying amount**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Insurance contract liabilities	32,612	34,100	-	-	-	-	-
Reinsurance contract liabilities	2,357	2,844	-	-	-	-	-
Other payables	2,944	2,944	-	-	-	-	-
Lease liabilities	62	40	27	-	-	-	-

2023	Undiscounted contractual cash flows						
Financial liabilities	Carrying amount	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
Insurance contract liabilities	27,674	29,662	-	-	-	-	-
Reinsurance contract liabilities	3,906	4,623	-	-	-	-	-
Other payables	3,631	3,631	-	-	-	-	-
Lease liabilities	419	77	77	77	77	77	205

(iii) Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices on account of factors specific to the individual security or to its issuer or factors affecting the securities market. The Group is exposed to market risk with respect to its investments in securities. The Group manages market risk by maintaining a well-diversified portfolio and by continuous monitoring of pertinent developments in international securities markets. In addition, the Group actively monitors the key factors that are likely to affect the prices of securities, including operational and financial performance of investees. The geographical concentration of the Group's investments is set out in note 27.

Management of market risks

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

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25 RISK AND CAPITAL MANAGEMENT (continued)

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

Interest rate risk

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

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

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

	2024 Aggregate principal	**2024 Effective rate**	2023 Aggregate principal	2023 Effective rate
Cash and deposits	**29,823**	**5.61%**	29,531	5.20%
Bonds	**20,159**	**5.56%**	23,379	4.16%

Equity price risk

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

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

Derivatives:

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

Currency risk

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

Net currency-wise concentration

Financial Assets	**2024**	2023
Euros	152	136
Pounds sterling	16	33
Other currencies	666	381
Total open foreign exchange position at 31 December Currencies	**834**	550
United States dollars	29,831	28,949
GCC Currencies	18,239	15,883
Bahraini dinars	58,200	60,161
	107,104	105,543
This comprises of:		
Financial investments	61,081	73,905
Cash and cash equivalents	17,625	5,872
Equity accounted investees	12,429	11,570
Insurance and reinsurance contract assets	13,376	10,933
Others	2,593	3,263
	107,104	105,543

Financial Liabilities	**2024**	2023
Bahraini dinars	33,521	32,939
United States dollars	2,915	1,577
GCC Currencies	3,303	2,735
Euros	15	27
Pounds sterling	18	50
Other currencies	30	39
	39,802	37,367
This comprises of:		
Insurance and reinsurance contract liabilities	34,969	31,580
Investment contract liabilities	1,827	1,737
Other payables	3,006	4,050
	39,802	37,367

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.

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25 RISK AND CAPITAL MANAGEMENT (continued)

Sensitivity analysis – currency risk

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

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

	2024		2023	
Net financial assets and liabilities	**Profit or loss**	**Equity**	Profit or loss	Equity
US Dollars	261	265	256	262
GCC currencies	30	182	21	159
Euro	-	-	-	-
Pounds Sterling	-	2	1	1
Other currencies	-	7	1	4

Sensitivity analysis to market risks

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

	2024			2023		
31 December	**CSM**	**Profit or loss**	**Equity**	CSM	Profit or loss	Equity
Interest rate risk						
+1 percent shift in yield curves	2	556	556	1	594	594
-1 percent shift in yield curves	(2)	(556)	(556)	(1)	(594)	(594)
Equity price risk						
+1 percent increases in equity prices	-	1	234	-	1	212
-1 percent decrease in equity prices	-	(1)	(234)	-	(1)	(212)

(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.

25 RISK AND CAPITAL MANAGEMENT (continued)

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

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

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

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

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

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

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

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

d) Capital Management

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

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

For the year ended 31 December 2024 (In thousands of Bahraini Dinars)

25 RISK AND CAPITAL MANAGEMENT (continued)

The Group's objectives for managing capital are:

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

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

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

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

26 MATURITY PROFILE OF INVESTMENTS

2024	**Less than 1 year**	**1 - 5 years**	**5 - 10 years**	**Over 10 years / no maturity**	**Total**
Equities	-	-	-	23,311	**23,311**
Government bonds	676	4,484	2,703	-	**7,863**
Corporate bonds	970	5,665	1,025	671	**8,331**
Equity accounted investees	-	-	-	12,429	**12,429**
	1,646	**10,149**	**3,728**	**36,411**	**51,934**

This balance comprises of:

	2024
FVOCI securities	23,311
Securities measured at amortized cost	16,194
Equity accounted investees	12,429
	51,934

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

26 MATURITY PROFILE OF INVESTMENTS (continued)

This balance comprises of:

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

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

27 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2024	2023
Bahrain	40,745	54,343
Other GCC countries	20,390	15,554
North America	4,379	5,321
Europe	2,144	2,049
China and India	5,350	7,540
Other global/multi-regional	502	668
	73,510	85,475

This comprises of:

	2024	2023
FVTPL securities	9,469	9,480
FVOCI securities	23,311	21,405
Securities measured at amortized cost	16,194	19,361
Placements with banks	12,107	23,659
Equity accounted investees	12,429	11,570
	73,510	85,475

Investment income by segment

	2024	2023
Equities	708	619
Bonds	1,170	1,261
Managed funds	391	373
Bank balances and short-term deposits	1,614	1,031
Investment properties	185	209
Gross investment income	**4,068**	3,493
Investment administration expenses	(69)	(52)
Investment properties' expenses	(211)	(202)
Net investment income	**3,788**	3,239

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2024 *(In thousands of Bahraini Dinars)*

28 RELATED PARTIES

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

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

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

a) Related party balances

2024	**Associates**	**Key management personnel**	**Companies under Directors control**	**Total**
Insurance receivables	565	11	663	**1,239**
Other assets	15	-	-	**15**
Retirement and saving plan obligation	778	-	99	**877**
Insurance liabilities	59	-	1,044	**1,103**
Other liabilities	-	-	169	**169**

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

b) Transactions with related parties

2024	**Associates**	**Key management personnel**	**Companies under Directors control**	**Total**
Premiums received	434	17	2,241	**2,692**
Claims paid	1,075	3	1,410	**2,488**
Claims recovered	631	-	-	**631**
Retirement and saving plan contributions received	109	-	5	**114**
Retirement and saving plan benefits paid	56	-	-	**56**
General and administration expenses	344	1,422	290	**2,056**
Dividend received	880	-	-	**880**

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28 RELATED PARTIES (continued)

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

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:

	2024	2023
Salaries and allowances	**691**	619
Other benefits	**394**	492
Board remuneration and attendance fees paid	**337**	275

29 FAIR VALUE MEASUREMENT

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

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

31 December 2024	**FVTPL**	**FVOCI**	**Amortised cost**	**Financial liability**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	-	17,625	-	17,625	17,625
Financial investments						
- Debt securities	3,965	-	16,194	-	20,159	20,043
- Equity securities	118	23,311	-	-	23,429	23,429
- Managed funds	5,386	-	-	-	5,386	5,386
- Placements with banks	-	-	12,107	-	12,107	12,107
Total financial assets	**9,469**	**23,311**	**45,926**	**-**	**78,706**	**78,590**
Investment contract liabilities	-	-	-	1,827	1,827	1,827
Other liabilities	-	-	-	3,006	3,006	3,006
Total financial liabilities	-	-	-	**4,833**	**4,833**	**4,833**

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29 FAIR VALUE MEASUREMENT (continued)

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

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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29 FAIR VALUE MEASUREMENT (continued)

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

31 December 2024	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
FVTPL	5,922	1,535	2,012	9,469	9,469
FVOCI – equity securities	22,165	515	631	23,311	23,311
	28,087	**2,050**	**2,643**	**32,780**	**32,780**

31 December 2023	Level 1	Level 2	Level 3	Total	Carrying Value
FVTPL	5,678	1,655	2,147	9,480	9,480
FVOCI – equity securities	18,753	2,279	373	21,405	21,405
	24,431	3,934	2,520	30,885	30,885

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

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

	2024	2023
At the beginning of the year	2,520	1,483
Purchases	78	26
Sales	(81)	(3)
Fair value gains	126	1,014
At the end of the year	**2,643**	2,520

The carrying amount of the Group's investments in debt securities at amortized cost equals BD 16,194 thousand (2023: BD 19,361 thousand) whereas the fair value of the investments is BD 16,078 thousand (2023: BD 19,272 thousand).

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

30 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2024, the Group has commitments to make investments amounting to BD 126 thousand (2023: BD 202 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.

Notes to the Consolidated Financial Statements (Continued)

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31 RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Lease liabilities:	**2024**	2023
Balance at 1 January	419	474
Cash flows from financing cash flows		
Payment of lease liabilities	**(52)**	(84)
Other changes		
New lease	25	-
Termination of leases	(337)	-
Interest expense	7	29
	(305)	29
Balance at 31 December	**62**	419

32 GLOBAL MINIMUM TAX

The multinational enterprise (MNE) group is subject to the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules') that apply to MNE groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

BNH Group is domiciled and operates in the Kingdom of Bahrain which has issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of the Bahrain resident entities of the MNE group for fiscal years commencing on or after 1 January 2025.

As per the Group's assessment of applicability of the DMTT law, it has assessed and concluded that it is not in scope for the Bahrain DMTT law or the OECD Global Anti-Base Erosion Pillar Two Model Rules ('GloBE rules'). The reason for this conclusion is:

- it is not an MNE group as it only operates in Bahrain; and
- it does not have total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

Accordingly, it does not expect to be subject to the Bahrain DMTT law and GloBE rules for the next fiscal year.

33 COMPARATIVE

Certain corresponding figures of 2023 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.