VISIONS OF A BRIGHT FUTURE

Annual Report 2013

www.bnhgroup.com

BNH

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His Royal Highness
Prince Khalifa Bin Salman
Al Khalifa

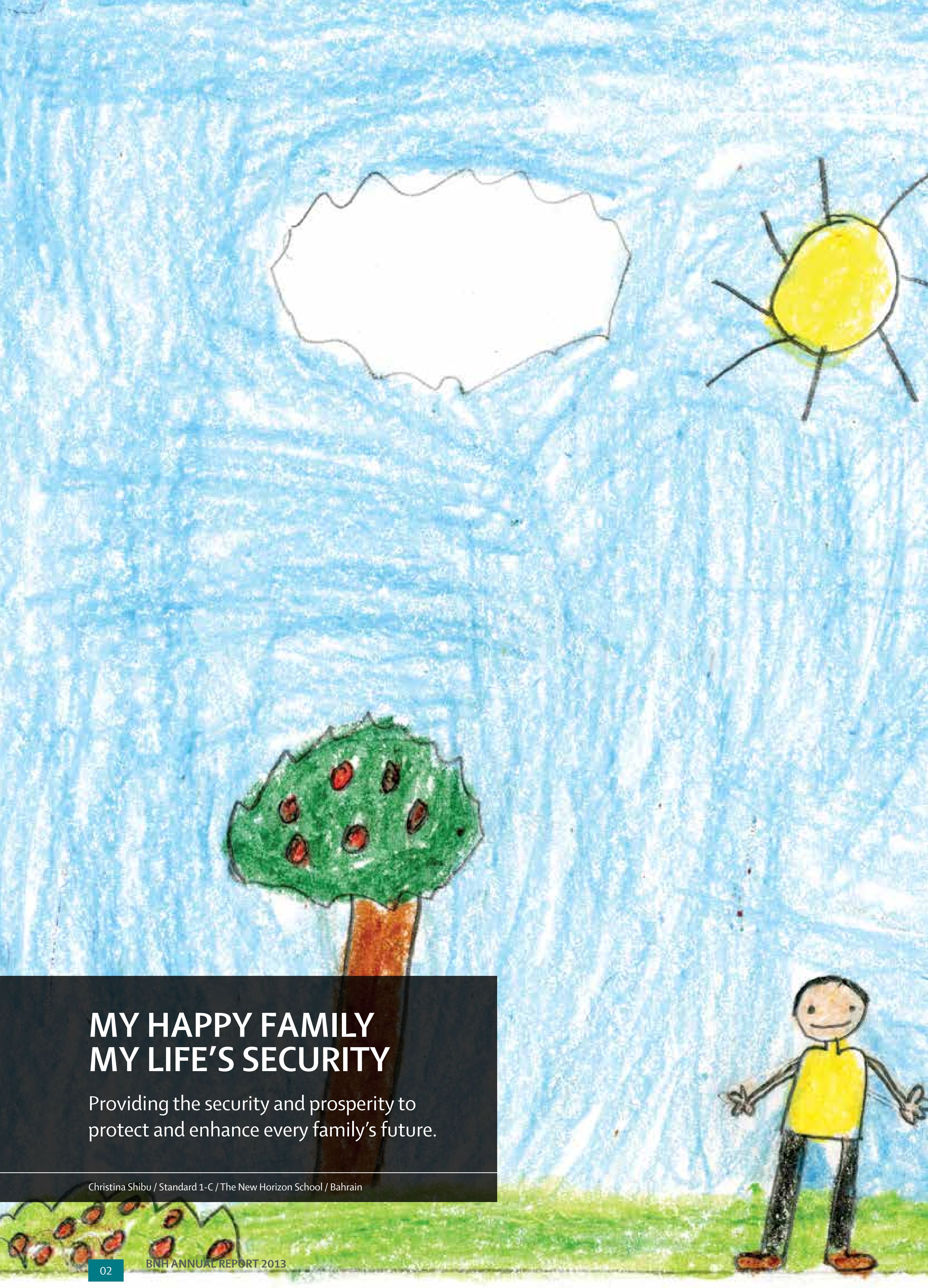
The Prime Minister

His Majesty
King Hamad Bin Isa
Al Khalifa

The King of the
Kingdom of Bahrain

His Royal Highness
Prince Salman Bin Hamad
Al Khalifa

The Crown Prince,
Deputy Supreme Commander and
First Deputy Premier



MY HAPPY FAMILY MY LIFE'S SECURITY

Providing the security and prosperity to protect and enhance every family's future.

Christina Shibu / Standard 1-C / The New Horizon School / Bahrain

GROUP OVERVIEW

We are the premier Bahraini insurance group offering all types of insurance and risk management solutions. Set up in 1998 by merging the operations of Bahrain Insurance Company and National Insurance Company, our insurance heritage dates back to 1969. Over the years, we have earned a formidable reputation for the quality and excellence of our service and are, today, a household name in Bahrain.

We are a widely-held public company listed on the Bahrain Bourse. Our Group operations are organised into 3 incorporated entities:

- BNH, the parent company, which is the asset management and corporate arm of our Group.
- Our wholly/owned subsidiary, Bahrain National Insurance Company B.S.C. (c), which offers General Insurance and Motor & Personal Lines Insurance/trades under bni brand, and
- Our 75% owned subsidiary, Bahrain National Life Assurance Company B.S.C. (c), which offers Life & Medical Insurance trading under the bnl brand.

Mission Statement

Our Vision

Creating prosperity through security

Our Mission

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

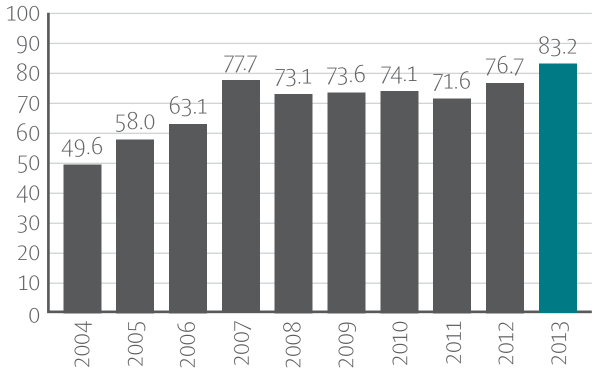
Our Values

Integrity, Excellence, Pioneering

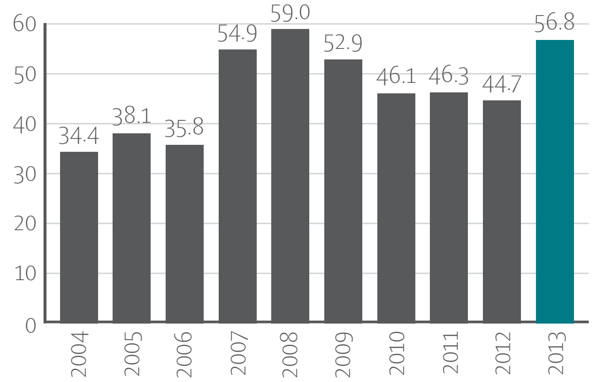
FINANCIAL HIGHLIGHTS

THE KINGDOM OF BAHRAIN IS A REGIONAL PIONEER IN THE PROVISION OF PUBLIC EDUCATION AND HEALTHCARE, AND IN FORMING PARTNERSHIPS WITH THE PRIVATE SECTOR TO GENERATE MEANINGFUL EMPLOYMENT OPPORTUNITIES FOR ITS CITIZENS. THIS ENDURING COMMITMENT IS ENSHRINED IN THE SOCIAL AGENDA OF THE KINGDOM'S ECONOMIC VISION 2030, WHICH SETS OUT A PROGRESSIVE PATH LEADING TO THE GREATER SOCIAL WELL-BEING AND PROSPERITY OF ALL ITS CITIZENS. AS A RESPONSIBLE CORPORATE CITIZEN, BNH IS COMMITTED TO SUPPORTING THIS NATIONAL VISION BY ALIGNING ITS COMMUNITY ENGAGEMENT ACTIVITIES WITH THE HOPES AND ASPIRATIONS OF BAHRAINIS FOR A BRIGHTER AND MORE SECURE FUTURE.

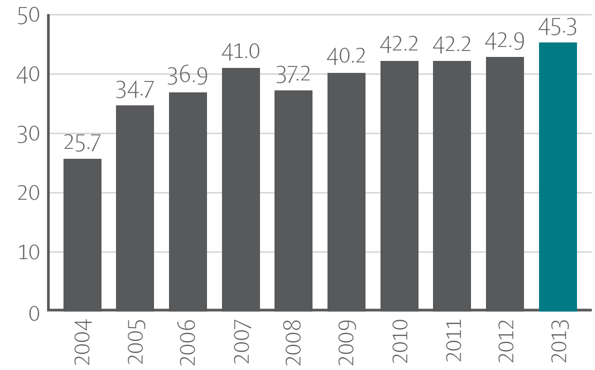
TOTAL ASSETS (BHD MILLIONS)



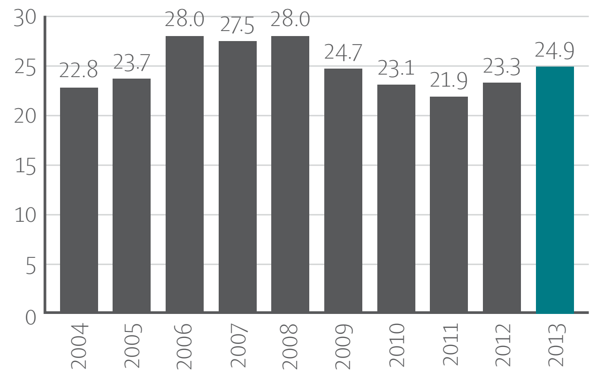
MARKET CAPITALISATION (BHD MILLIONS)



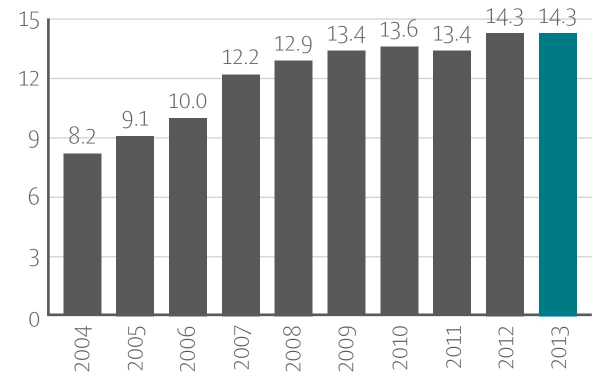
TOTAL EQUITY (BHD MILLIONS)



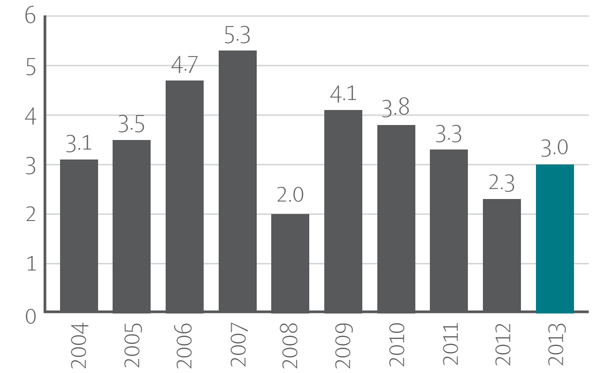
GROSS PREMIUMS (BHD MILLIONS)



NET EARNED PREMIUMS (BHD MILLIONS)



NET PROFIT (BHD MILLIONS)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Assets	49.6	58.0	63.1	77.7	73.1	73.6	74.1	71.6	76.8	83.2
Market Capitalisation	34.4	38.1	35.8	54.9	59.0	52.9	46.1	46.3	44.7	56.8
Total Equity	25.7	34.7	36.9	41.0	37.2	40.2	42.2	42.2	42.9	45.3
Gross Premiums	22.8	23.7	28.0	27.5	28.0	24.7	23.1	21.9	23.3	24.9
Net Earned Premiums	8.2	9.1	10.0	12.2	12.9	13.4	13.6	13.4	14.3	14.3
Net Profit	3.1	3.5	4.7	5.3	2.0	4.1	3.8	3.3	2.3	3.0

BOARD OF DIRECTORS

Farouk Yousif Almoayyed

Chairman | Non-executive Director

Board Member since 2008
Chairman of the Nomination, Remuneration and Corporate Governance Committee

Chairman: Y. K. Almoayyed & Sons B.S.C. (c), Bahrain • Y. K. Almoayyed & Sons Property Co, Bahrain • Almoayyed International Group, Bahrain • National Bank of Bahrain B.S.C., Bahrain • Bahrain Duty Free Shop Complex, Bahrain • Gulf Hotels Group, Bahrain • Ahlia University, Bahrain • National Finance House B.S.C. (c), Bahrain

Director: Investcorp Bank, Bahrain

Chairman of Board of Trustees: Ibn Khuldoon National School, Bahrain

Abdulhussain Khalil Dawani

Vice Chairman | Non-executive Director

Board Member since 1999
Chairman of the Executive Committee
Vice Chairman of Nomination, Remuneration and Corporate Governance Committee

Chairman: Bahrain National Insurance Company B.S.C. (c), Bahrain • Deeko, Bahrain • Dawanco, Bahrain • Dawanco Industries, Bahrain • Tomina Trading, Bahrain • Bahrain Foundation Construction Company, Bahrain • Al Jazira Group, Bahrain • American Cultural & Educational Centre, Bahrain • Dynamic Construction W.L.L., Bahrain

Director: Delmon Poultry Company WLL, Bahrain • National Institute of Industrial Training, Bahrain

Jehad Yousif Amin

Director | Non-executive Director

Board Member since 1999; Vice Chairman of the Executive Committee
Member of Nomination, Remuneration and Corporate Governance Committee

Vice Chairman: Banader Hotel Company, Bahrain

Director: Bahrain National Insurance Company B.S.C. (c)

Director and Member of the Audit and Metro/Market Committees: General Company for Trading and Food Industries (TRAFCO), Bahrain

Director and Member of the Audit Committee: Bahrain Cinema Company, Bahrain • Bahrain Live Stock, Bahrain

Director and Member of the Executive Committee: Bahrain Maritime and Mercantile Company (BMMI), Bahrain

Director & Member of the Investment Committee: United Insurance Company, Bahrain

Abdulrahman Mohamed Juma

Director | Non-executive Director

Board member since 1999
Member of the Audit & Compliance Committee

Chairman: Bahrain National Life Assurance Company B.S.C. (c), Bahrain • Abdulrahman bin Mohamed Juma & Sons, Bahrain

Chairman & Managing Director: UNEECO Group of Companies, Bahrain • Prudent Solutions, Bahrain

Vice Chairman: Prudent, Saudi Arabia

Vice Chairman & Managing Director: Celtex Weaving Mills, Bahrain

Ghassan Qassim Fakhroo

Director | Non-executive Director

Board Member since 2008
Member of the Executive Committee

Vice Chairman: Bahrain National Insurance Company B.S.C. (c), Bahrain

Chief Executive: Mohamed Fakhroo & Bros., Bahrain

Managing Director and Partner: Fakhroo Information Technology Services, Bahrain

Director and Partner: Qasim Mohamed Fakhroo & Sons, Bahrain

Ali Hassan Mahmood

Director | Non-executive Director

Board Member since 1999 and re-elected in 2011

Chairman: Hasan & Habib s/o Mahmood Group of Companies, Bahrain • United Marketing International Co. W.L.L, Bahrain • Bed Center, Bahrain • Euro Gulf Co. W.L.L., Bahrain • United Décor International, Bahrain • Amaan International Safety Services Co. W.L.L, Bahrain

Director: Bahrain Specialist Hospital, Bahrain • Bahrain Businessmen Association, Bahrain

Managing Director: Al Jazeera Shipping Company W.L.L., Bahrain

Ayad Saad Khalifa Algosaibi

Director | Independent non-executive director

Board Member since 2008
Vice Chairman of the Audit and Compliance Committee

Board Member and Vice Chairman of Audit and Compliance Committee: Bahrain National Insurance Company B.S.C. (c), Bahrain

Director: Ismailia Food Industries, Ismailia, Egypt • Khalifa A. Algosaibi Holding, Dammam, Saudi Arabia

Managing Director: Polaris International W.L.L., Bahrain

Talal Fuad Kanoo

Director | Non-executive Director

Board Member since 2008
Member of the Executive Committee

Director: National Finance House B.S.C. (c), Bahrain • E. K. Kanoo B.S.C. (c) Corporate Services, Bahrain • Motor City, Bahrain

Chairman: Al Ahli Club, Bahrain

Sami Mohamed Zainal

Director | Non-executive Director

Board Member since 2008
Member of the Executive Committee

Director: Bahrain National Insurance Company B.S.C. (c), Bahrain • UltraTune Middle East WLL, Bahrain • Zainal Enterprises, Bahrain • Tony Luke's, Bahrain • Life Marketing SPC, Bahrain

Marketing Director: Mohamed Ali Zainal Abdulla (MAZA), Bahrain

Member: Bahrain Chamber of Commerce & Industry (Food & Agriculture Committee), Bahrain

Jassim Hassan Abdulaal

Director | Independent non-executive director

Board Member since 2011; Chairman of Audit & Compliance Committee
Member of Nomination, Remuneration and Corporate Governance Committee

Director, Chairman of Audit & Compliance Committee: Bahrain National Insurance Company B.S.C.(c), Bahrain • Bahrain National Life Assurance Company B.S.C.(c), Bahrain

Director and Chairman of Audit Committee: Gulf Hotels Group, Bahrain

Director: Minors Estate Directorate, Bahrain

Managing Partner: Grant Thornton-Abdulaal, Bahrain

Member of Audit Committee: Labour Market Regulatory Authority (LMRA), Bahrain • The Bahrain Ship Repairing and Engineering Co. B.S.C. (BASREC), Bahrain

Member of Advisory Board: The Institute of Chartered Accountants in England & Wales (ICAEW), Middle East

CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS, IT IS MY PRIVILEGE TO PRESENT THE ANNUAL REPORT OF BAHRAIN NATIONAL HOLDING COMPANY (BNH) FOR THE YEAR ENDED 31 DECEMBER 2013. IN YET ANOTHER CHALLENGING YEAR, I AM PLEASED TO REPORT THAT THE GROUP POSTED A STRONG OVERALL PERFORMANCE, WITH IMPROVED FINANCIAL RESULTS, CONTINUED BUSINESS GROWTH AND ENHANCED SHAREHOLDER VALUE.

Farouk Yousif Almoayyed | Chairman of the Board

Net profit for the year increased by 30 per cent to BD 3.02 million compared with BD 2.33 million for 2012, while total comprehensive income grew by 46 per cent to BD 4.16 million from BD 2.84 million the previous year; with expenses reducing to BD 5.64 million from BD 5.89 million in 2012. BNH registered gross premiums of BD 24.92 million, up 7 per cent over BD 23.31 million the previous year; while net earned premium remained flat. Underwriting profit dropped to BD 1.27 million from BD 1.49 million last year, due mainly to the charges from life assurance actuarial reserve. The net investment income from portfolio increased by 69 per cent to BD 2.49 million compared with BD 1.49 million in 2012.

Total assets at the end of the year increased by 8 per cent to BD 83.20 million from BD 76.79 million in 2012, with total equity also growing to BD 45.26 million against BD 42.86 million the previous year. Basic earnings per share rose to 27.8 Bahraini fils compared with 20.1 Bahraini fils in 2012. In view of the Group's financial performance during 2013, the Board is recommending a dividend payment of 18 per cent.

The growth in gross premiums resulted from a sharp increase in our subsidiaries' general and medical insurance businesses, while the motor portfolio also performed well. Profitability was boosted due to good control over claims, a reduction in expenses arising from a successful cost-rationalisation exercise, and strong investment returns. The improved financial results in 2013 continue to underline the validity of our diversified business model and consistent strategy; our prudent approach to underwriting and claims management; and our adoption of sound corporate governance and risk management practices.

In line with the Group's strategy of business and geographic expansion, we continue to analyse the local and regional insurance market; identify opportunities for further regional expansion, new strategic investments, and potential business partnerships. Throughout 2013, we continued to implement the Group's comprehensive programme of corporate social responsibility, through which we contribute to the social well-being and economic prosperity of the Kingdom of Bahrain.

Looking ahead, we recognise that 2014 will be another challenging year, with a continuation of soft market conditions and increasing competition. However, given the strong underlying economic fundamentals of the GCC, we remain optimistic about the future outlook for the regional insurance industry, and its potential for growth and increased penetration. Based on the Group's successful achievements to date, we are also confident about our future business and strategic prospects.

During the year, Mr Mahmood Al Soufi was appointed to the Board of Directors with effect from 1st January 2014, and will subsequently be stepping down as Chief Executive. On behalf of my fellow directors, I would like to take this opportunity to thank Mahmood for his enlightened leadership over the past 11 years, which has resulted in the steady growth and successful strategic and business transformation of the Group. Today, BNH enjoys a widespread reputation as the leading insurance-focused investment group in the region. In turn, I would like to welcome Mr Sameer Al Wazzan as the new Chief Executive, who will assume his duties with effect from 2nd January 2014. Sameer is a well-recognised insurance veteran, with over 32 years' experience in the region, and I wish him every success in his new post.

On behalf of the Board of Directors, I would like to express my gratitude to His Majesty the King of Bahrain, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince, for their wise leadership, visionary reform programme, and encouragement for the Kingdom's financial sector. I also thank all Government ministries and bodies, especially the Central Bank of Bahrain, the Bahrain Bourse, the Ministry of Finance, and the Ministry of Industry and Commerce, for their continued guidance and support of the insurance industry.

Finally, I take this opportunity to acknowledge the unwavering confidence and loyalty of our shareholders, customers and business partners; and the hard work, professionalism and dedication of our management team and staff during 2013.

Farouk Yousif Almoayyed
Chairman of the Board

EXECUTIVE MANAGEMENT

Mahmood Al Soufi

Chief Executive | Bahrain National Holding (Till 31st December 2013)

Joined BNH in 2002. He possesses a Higher National Diploma and College Diploma in Engineering from Nottingham U.K. and attended a large number of professional courses, including IMD Geneva, the Chartered Institute of Marketing UK, Swiss Insurance Training Centre and World Economic Forum in Davos. He comes with approximately 35 years of experience, including 17 years as General Manager of Bahrain Saudi Marketing Company BALCO and BALEXCO. Currently Chairman of Gulf Aluminum Rolling Mill Company (GARMCO) and Ultra Tune Middle East (UTME). He is also Board Member of United Insurance Company, Gulf Insurance Institute, National Finance House and Al Kindi Hospital.

Anand Subramaniam

Chief Financial Officer | Bahrain National Holding

Joined BNH in 2010. He holds a Chartered Financial Analyst designation from the CFA Institute, USA and is an MBA and BBA from Sardar Patel University, Gujarat, India. He also holds a Chartered Alternative Investment Analyst designation from the CAIA Association, USA. He has over 17 years of experience in the field of investments and asset management. Prior to this, he was the Head of Investments at Bahraini Saudi Bank BSC and a Fund Manager at TAIB Bank BSC. He also worked with Fincorp SAOG as their VP-Asset Management and Oman Arab Bank as an Investment Officer. He started his career as an equity researcher in India focusing on IT, banking and cement sectors.

Abdulla Al Suwaidi

General Manager | Bahrain National Insurance

Joined bni in 2003, a Bachelor degree holder in Chemistry (special degree). Attended a number of development courses and seminars including Accelerated Development Program for Chief Executives at London Business School. Attained Diploma and Advance Diploma in Insurance as well as Diploma in Insurance Management. He has more than 30 years' experience working with various organisations. Currently Board Member of Bahrain National Life Assurance Company (bnl) and a Member of Audit Committee for bnl.

Robert Grey

General Manager | Bahrain National Life

Joined bnl in 2011. A Fellow of the Chartered Insurance Institute, he holds a Law degree from Oxford University, UK. He has worked in insurance in the UK and Europe, and has spent the past 20 years in life and medical insurance. He is a Director of the Bahrain Insurance Association. Prior to joining bnl, he was Board Member and Director of Communications & Development at the American Mission Hospital, Bahrain. He was previously Head of Marketing at Arab Insurance Group (ARIG), Bahrain; and Pensions and Investment Manager at Eagle Star UK. He has also worked in international insurance with Generali Worldwide and Friends Provident International.

Joseph Rizzo

General Manager | Reinsurance, Risk Management & Strategy

Bahrain National Insurance

Joined bni in September 2007. An Associate of the Chartered Insurance Institute and a Chartered Insurer with more than 30 years' experience in insurance and reinsurance. Initially as a General Manager for corporate insurance accounts he has now taken the responsibility for risk management and strategy for the Group whilst retaining the management of outward reinsurance protections. He is a board director and a member of the executive committees of Arabian Shield Insurance Corporation in Saudi Arabia and Bahrain National Life in Bahrain. His previous position was that of General Manager in a leading listed insurance company in Malta and served on many boards of subsidiary companies and market associations.

Mohammed Kadhim

Assistant General Manager, Legal & Compliance

Bahrain National Holding

Joined BNH in 1978. He possesses a law degree and has attended a number of courses in insurance, management, personal development, corporate governance, money laundering and leadership. He was the Assistant General Manager - Legal, Personnel & Training of BNH Group between 2003 and 2007 and before that he was the Assistant General Manager of bni Motor until 2003. Membership of Professional bodies held includes Secretary of Motor committee of BIA and then Chairman of the said committee and Director for Legal and Association Affairs of BIA.

Ebtisam Al Jowder

Assistant General Manager | Motor & Personal Lines Insurance

Bahrain National Insurance

Joined BNI in 1982. She has over 33 years of experience in Insurance. She has Diploma and Advanced Diploma in Insurance and has also attended a number of technical, personal development and management courses.

Masood Bader

Assistant General Manager | General Insurance | Bahrain National Insurance

Joined bni in 2010 with 23 years of insurance and reinsurance experience. A graduate of accounting major he started his career as claim assistant with Arab Insurance Group (ARIG) and worked his way up to executive manager in charge of international portfolio of Marine and Energy. In the last six years prior to joining bni he worked as insurance and reinsurance broker first for Arthur J. Gallagher Middle East as regional director and for AON Middle East as Vice President.

Sahar Al Ajjawi

Assistant General Manager | Bahrain National Life Assurance

Joined bnl in 2013. Holding MBA from Bahrain University and ACII from the Chartered Insurance Institute. Has worked in medical and life insurance since 1997. Prior to joining bnl was Senior Manager Life & Medical at Al Ahlia Insurance company. She was previously Deputy Manager Medical at Arab Insurance Group (ARIG).

Adrian Reid

Group IT Manager | Bahrain National Holding

Joined BNH in June 2007. His IT career spans for 44 years focusing on application development and business consulting; he spent 8 years with Ernst & Young as a Principal Consultant before specialising in the insurance industry in 1996, implementing IT systems and running projects. His other international insurance consulting experiences include UAE, South Africa, United Kingdom, Egypt and Malta. His responsibilities include the enhancement of IT strategies and systems to support the growing business needs of the various companies within the Group.

Fareed Amin

Human Capital Manager | Bahrain National Holding

Joined BNH in October 2011. Fareed has a diverse exposure in the field of Human Resources across different industries such as telecommunications, FMCG, oil & gas and investment management. He was associated with big names namely Batelco, Almarai Company in KSA, Saudi Aramco Total. He holds a Diploma in Electronics Engineering from James Watt College, Scotland, UK and started his career as an Information Systems Analyst at Batelco in 2000. There he realised that dealing with people intrigued him more than dealing with machines and led to him making a daring switch to become a Management Analyst with HR at Batelco. His development as an HR specialist prompted Almarai Company in Riyadh, KSA to hire him as the Organization & Job Analysis Manager in 2008.

EXECUTIVE MANAGEMENT REPORT

I WOULD DESCRIBE 2013 AS AN EXCELLENT YEAR FOR BNH, DURING WHICH WE MADE GREAT PROGRESS DESPITE CONTINUED CHALLENGING MARKET CONDITIONS. I AM PLEASED TO REPORT THAT WE IMPROVED OUR FINANCIAL PERFORMANCE, GREW OUR CORE BUSINESSES, ENHANCED OUR COMPETITIVE ADVANTAGE, STRENGTHENED OUR GOVERNANCE, AND IMPLEMENTED OUR SOCIAL RESPONSIBILITY PROGRAMME.

Sameer Al Wazzan | Chief Executive Officer

FINANCIAL PERFORMANCE

The Group's financial results for 2013 showed a distinct improvement in all key financial indicators. These include significant increases in comprehensive income and net profit of 46 per cent and 30 per cent respectively over 2012; while total assets and total equity both grew, together with basic earnings per share. There was also substantial growth in gross premiums of 7 per cent, while underwriting profit dropped over the previous year. Significantly, net investment income from portfolio increased by 69 per cent, with an overall blended return of 10 per cent for the portfolio; while expenses decreased by 4 per cent as the result of a successful cost-rationalisation exercise during the year.

The Group's two insurance subsidiaries both maintained profitability and market share in 2013. bni reported substantial increases in net profit, gross and net premiums, and underwriting profit. Its general business performed particularly well, growing by 11 per cent due to the improved economic climate; with the marine business increasing significantly by 50 per cent, and the motor business posting a 5 per cent growth. A.M. Best affirmed the financial strength rating of B++ (Good) and issuer credit rating of bbb+ for the Group's subsidiary – Bahrain National Insurance Company (bni) – with a stable outlook for both ratings. bnl posted a healthy growth in gross premiums of 5 per cent, but lower net earned premiums and underwriting profit due to higher reinsurance, higher claims and life actuarial charges. The medical business posted a top line growth of 13 per cent, while the life business dropped by 9%.

COMPETITIVE ADVANTAGE

People

The Group is committed to developing young Bahrainis, and providing them with every opportunity to enhance their professional skills and progress their careers. During 2013, the Group introduced a number of initiatives. These included completion of a new succession planning policy and procedures; and the implementation of a new performance management system. The BNH Executive Development Programme – funded and supported by Tamkeen – was piloted during the year, with an initial batch of 13 candidates.

Technology

Key developments in 2013 include the introduction of Internet Protocol (IP) telephony for improved communications, customer service and cost-efficiency; the expansion of both internal and external cloud computing; further enhancement of the Enterprise Content Management (ECM) system; and the introduction of pioneering new mobile solutions. Throughout 2013, the Group continued to respond to customers' needs, with a particular focus on expanding the range of e-services. A key initiative was the launch of a unique mobile claims applications facility which complements customers' ability to renew motor policies on smart phone devices. Surveys conducted during the year showed a continued improvement in customer satisfaction levels.

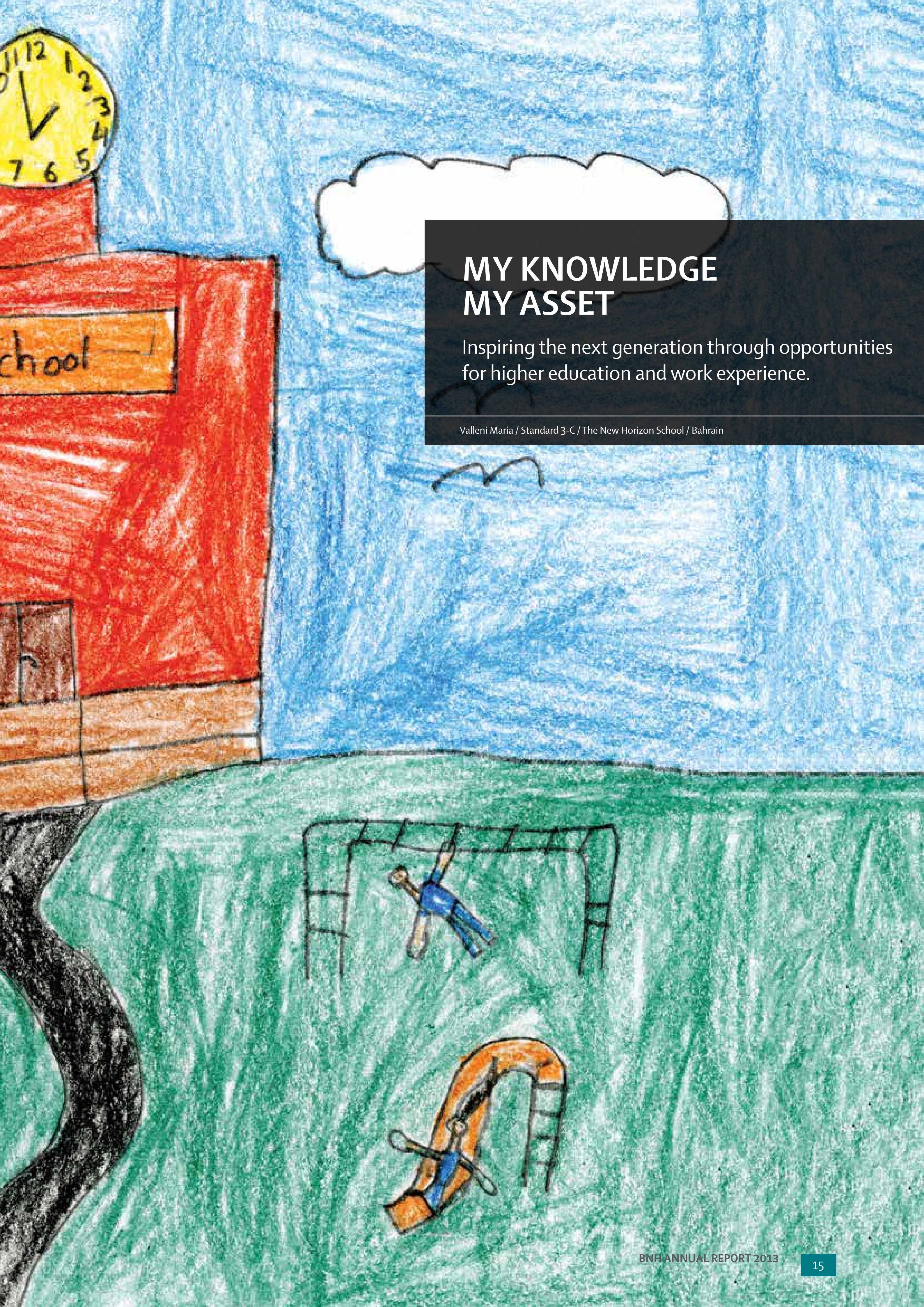
GOVERNANCE

During the year, the Group maintained its compliance with regulations of the Central Bank of Bahrain (CBB), and requirements of the Corporate Governance Code of the Kingdom of Bahrain issued by the Ministry of Industry & Commerce. New developments during the year included compliance with the US Foreign Account Tax Compliance Act (FATCA); collective investment undertakings (CIUs) under Rulebook 7 of the CBB; the proposed electronic submission of returns and analysis of data (ESRAD) by licencees to the CBB; and the addition of information about shareholders' rights to the BNH website. The Group also continued to pursue its risk management focus with the full implementation of an economic capital model (ECM), which is run every six months to allocate capital based on risk exposure. In addition, the risk register and risk mitigation controls were further enhanced.

SOCIAL RESPONSIBILITY

BNH contributes to the social well-being and economic prosperity of the Kingdom of Bahrain. In 2013, this comprised financial assistance for charitable, community, educational, medical, cultural and sporting organisations; support for Tamkeen's training and career development initiatives; and sponsorship of various activities and events that support the growth and development of the regional insurance industry.

Sameer Al Wazzan
Chief Executive



MY KNOWLEDGE MY ASSET

Inspiring the next generation through opportunities for higher education and work experience.

Valleni Maria / Standard 3-C / The New Horizon School / Bahrain

REVIEW OF OPERATIONS

SUBSIDIARY

Bahrain National Insurance Company (bni)

With its roots going back more than 40 years, bni is one of Bahrain's longest-established and leading insurance providers. In 2013, A.M. Best affirmed the Company's financial strength rating of B++ (Good) and issuer credit rating of bbb+ with a stable outlook for both ratings.

Benefiting from improved market conditions in 2013, bni enjoyed a successful year, posting substantial increases in net profit, gross and net premiums, and underwriting profit. The General insurance business performed particularly well, growing by 11 per cent due to the improved economic climate. The Motor business posted a 5 per cent growth.

The branch in Qatar, which was established in 2012, continued the process of building its staff resources and growing its business. During 2013, fitting-out for a new relocated branch at Sanad in Bahrain was completed. Focus was placed on increasing awareness of bni and reinforcing the brand during the year. The subsidiary's new website was officially rolled out, together with the launch of its first advertising campaign and new marketing collateral. In a novel initiative, bni organised the first-of-its-kind Children's Car Seat Campaign in collaboration with the Traffic Directorate, in order to educate the general public and parents in particular, about car safety for children.

MOTOR & PERSONAL LINES

In another 'industry-first', bni launched a new mobile claims app, which enables customers to register and monitor their claims through any smart device, dramatically reducing the time to complete the claim notification process to as little as 15 minutes. This unique app complements the Quick Renewal Service (QRS) app introduced in 2012, which has experienced a high take-up by customers.

GENERAL INSURANCE

Due to an improved economic background, bni's General insurance business posted a significantly improved performance during 2013. The Marine line was the top performer, achieving growth of over 50 per cent; while Engineering and Property All Risks both showed signs of picking up. The Company maintains substantial capacities with leading high-rated international reinsurers. In other initiatives, bni introduced comprehensive process improvement changes to enhance and streamline its General insurance operating systems and procedures. A 'pool' of underwriters was created to handle all business lines. This will help to spread knowledge and best practice; and speed up the quotation process, especially for multi-risk policies.

Bahrain National Insurance Company (bni)
Qatar Branch

Licensed & regulated by
Qatar Financial Centre Regulatory Authority (QFCRA)

SUBSIDIARY

Bahrain National Life Assurance Company (bnl)

Established in 2000, bnl is the first dedicated local life and healthcare assurance company in the Kingdom of Bahrain. It is the only life assurance company in the Kingdom which specialises in both group and individual cover.

In a challenging but overall successful year, bnl recorded higher gross premiums. The medical business posted a top line growth of 13 per cent, while the life business fell. Overall net premiums were lower due to increase in medical reinsurance. A key development in 2013 was the signing of an agreement with a leading international reinsurer to provide financial and technical backing for bnl's direct medical portfolio. Also during the year, bnl introduced third party administration (TPA) for certain medical accounts, in order to review and test the services offered.

The collection of premiums improved by an overall 60 per cent during the year, while the retention percentage for individual life business now stands at over 95 per cent. The management team was also strengthened with the appointment of a highly-experienced assistant general manager.

The Company improved its communication with customers during the year. Such initiatives resulted in an increase in the number and frequency of enquiries from existing and potential customers. Key activities included the launch of a new advertising campaign, and production of new marketing collateral and promotional materials; the use of direct mail and social media to target key segments; and tailored presentations to corporates and institutions. To reinforce the brand, a slogan 'We are here, for life' was added to the bni logo.

MEDICAL INSURANCE

The market witnessed a continuing demand for medical insurance in 2013, especially at a group level. During the year, bnl experienced an increased take-up of its Essential Plan, which was launched in 2012 for the lower end of the market, in anticipation of the proposed introduction of compulsory medical insurance for expatriates in Bahrain. The medical insurance market continued to be highly competitive, with many companies seeking the lowest possible prices due to reduced operating budgets. In response, bnl continued its health awareness and education initiatives. These include providing corporate customers with advice and guidance on the best way to look after their staff.

LIFE ASSURANCE

The life business remained flat in 2013, although bnl was successful in retaining existing customers. Increasing competition, from conventional and Takaful players, together with a subdued business environment, resulted in a reduction in rates and lower margins. There was a drop in demand for group cover as companies continued to seek ways of lowering expenses in line with reduced budgets; while individuals are still largely unaware of the benefits of life assurance and saving. Furthermore, a reduction in banks' lending activities led to fewer loan coverage business opportunities.

GROUP SHARED SERVICES

Legal & Compliance

The Group's Legal & Compliance (L&C) division provides legal counsel for BNH and its subsidiaries and associates, as well as for the new bni branch in Qatar. During 2013, the division continued to work closely with the subsidiaries' Complaints Units to resolve customer disputes, resulting in a number of amicable settlements. New developments in 2013 included working with the Bahrain Insurance Association on an industry-wide proposal for compliance with the US Foreign Account Tax Compliance Act (FATCA); complying with collective investment undertakings (CIUs) under Rulebook 7 of the CBB; preparing for the proposed electronic submission of returns and analysis of data (ESRAD) by licensees to the CBB; and adding information about shareholders' rights and corporate governance guidelines to the BNH website. The Group was fully compliant with all regulatory requirements during 2013 and did not incur any penalties.

Investments

BNH continues to manage the portfolio based on well-tested principles of risk diversification, strong research and patience. BNH continued to maintain a healthy level of liquidity, which amounted to BD 10.4 million (2012: BD 11.8 million). The Group's well-balanced investment portfolio, with a total value of BD 59 million (2012: BD 55 million) comprises listed equities, bonds and alternative investments; cash and equivalents; land and buildings; and associates. At the end of 2013, the marketable investment portfolio, valued at BD 43 million (2012: BD 40 million) consisted of 33 per cent in bonds, 33 per cent in equities, 25 per cent in cash and cash equivalents, and 9 per cent in alternative investments. Net investment income in 2013 from the marketable investment portfolio totaled BD 2.50 million compared with BD 1.49 million in 2012. The overall blended return for investment income was 10 per cent, which compares favourably with the return of 6 per cent in 2012.

Human Capital

During 2013, BNH continued to address the challenges of recruitment, motivation, retention and productivity, which are common to the insurance industry. Key developments include the successful implementation of a new succession planning policy and procedures; and the ongoing implementation and enhancement of the performance appraisal system that was introduced last year. A key initiative in 2013 was the launch of the BNH Executive Development Programme – which is supported and funded by Tamkeen – with an initial batch of 13 internal Bahraini candidates taking part. A new HR System was piloted in 2013, automating and integrating all aspects of HR activities previously handled by separate systems, such as payroll administration and staff records. Also during the year, the Human Capital Policies & Procedures Manual was updated to include the new succession planning policy, and revisions to the business travel policy.

The Group's headcount was 175 people. Bahraini nationals employed across BNH and its subsidiaries increased to 81 per cent of the total workforce compared with 78 per cent at the end of 2012.

Information & Communications Technology

Good progress was made in further improving operational systems to cater for new business processes, and provide substantial productivity gains and better management control. One such example is the comprehensive process improvement changes implemented in the General Insurance business. In addition, a new innovative mobile claims app was launched by the Motor business department of bni. Other key developments in 2013 include planning for the introduction of Internet Protocol (IP) telephony for improved communications, customer service and cost-efficiency; the expansion of private cloud computing and the pilot introduction of an external cloud for some services; further enhancement of the Enterprise Content Management (ECM) system; and the introduction of Claims facilities at three repair service providers. Also during the year, to support the Group's business continuity plan, a successful disaster recovery site (DRS) simulation exercise was performed, with no loss of data during the failover and failback process.

Corporate Communications

During 2013, the new redesigned and re-engineered websites for BNH, and the bni and bnl subsidiaries, were officially launched. Work also commenced on the second phase of the subsidiary websites, which involves the enhancement of eCommerce services and mobile compatibility. Key activities in 2013 include the launch of the first advertising campaign and new marketing collateral for bnl; and a new advertising campaign for bni, involving staff as ambassadors for the brand, with a focus on innovative services such as Quick Renewal and Claims Application apps, and Automated Insurance Machines. Other initiatives included the first-of-its kind bnl Walkathon for Diabetes, with the general public taking part to raise funds for the Bahrain Diabetic Society to purchase insulin pumps for children; and the first Children's Car Seat Campaign organised by bni with the Traffic Directorate in order to raise public awareness about car safety for children.

ASSOCIATES AND JOINT-VENTURE COMPANIES

Al Kindi Specialised Hospital

Established: 2008
Paid-up capital: BD 2.2 million
BNH share: 25%

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

Website: www.alkindihospital.com

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 Kingdoms of Bahrain and Saudi Arabia.

Website: www.uic.bh

Gulf Insurance Institute

Established: 2007
Paid-up capital: BD 600k
BNH share: 17.3%

Founded by local, regional and international institutions, the Gulf Insurance Institute (GII) was officially opened in 2008. The institute provides internationally-recognised and accredited professional qualifications for insurance and financial services practitioners.

Website: www.giionline.net

Arabian Shield Cooperative Insurance Company

Established: 2006
Paid-up capital: SR200 million
BNH share: 15%

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

Website: www.arabianshield.com

National Finance House

Established: 2005
Paid-up capital: BD 7.5 million
BNH share: 30%

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

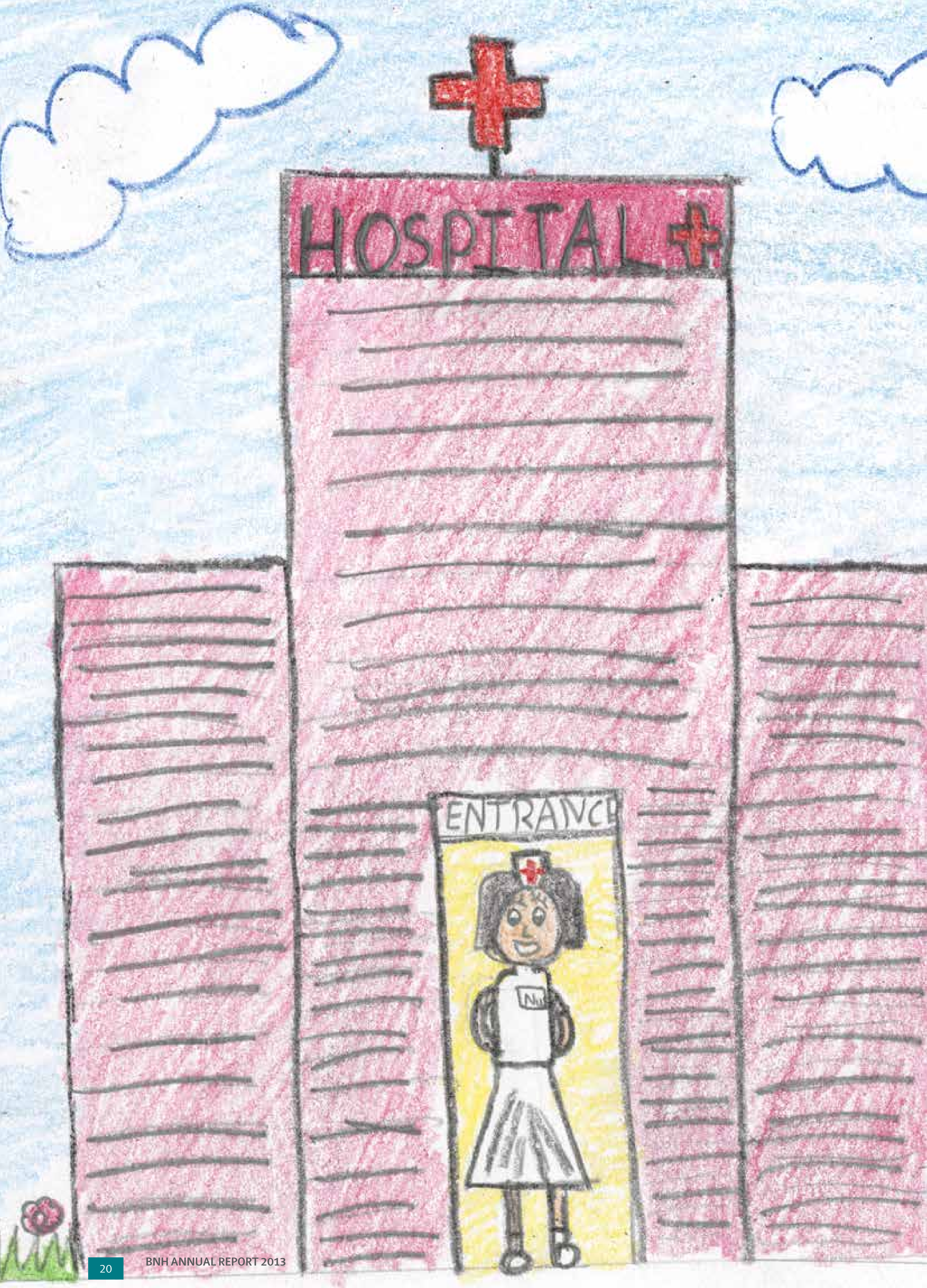
Website: www.nfh.com.bh

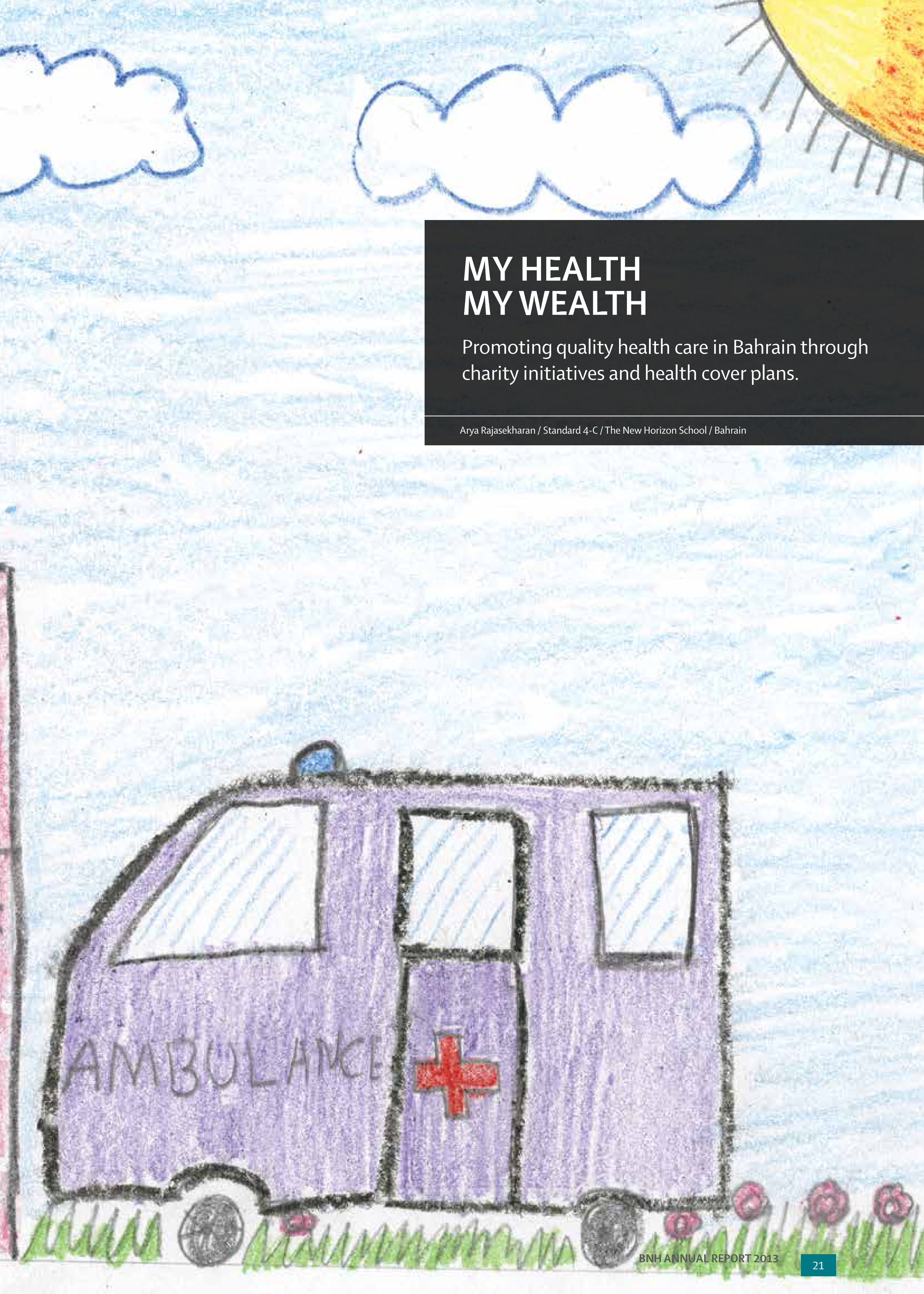
Ultra Tune Middle East

Established: 2009
Paid-up capital: BD 1.307 million
BNH share: 50%

Ultra Tune Middle East is a joint venture with Ultra Tune Australia. The Company provides roadside assistance, servicing, and car body shop repairs. A state-of-the-art BD 1.25 million repair facility at Salmabad was opened during 2013.

Website: www.ultratunebh.com


HOSPITAL
ENTRANCE



MY HEALTH MY WEALTH

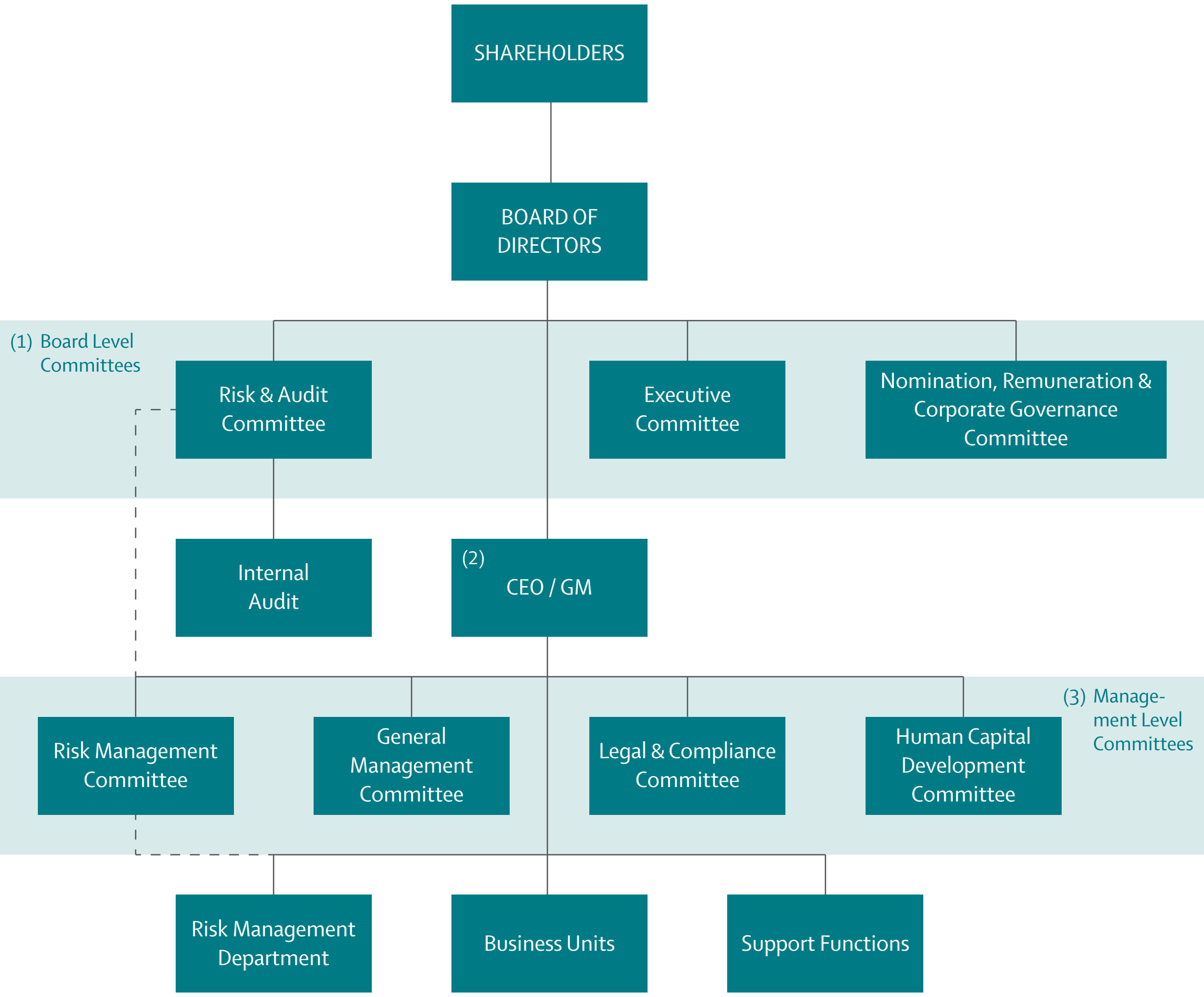
Promoting quality health care in Bahrain through charity initiatives and health cover plans.

Arya Rajasekharan / Standard 4-C / The New Horizon School / Bahrain

CORPORATE GOVERNANCE & RISK MANAGEMENT

Risk Governance Structure and Organisation

BNH and its Subsidiaries



Notes (1) – Board Committees of each respective Company; Executive Committee only for BNH

(2) – CEO for BNH; GM in the case of the Subsidiaries bni & bnl

(3) – Management Committees are joint committees and included in the services provided by the holding company BNH

- Other units are for each respective company as applicable to the operation of that company.

BNH VIEWS CORPORATE GOVERNANCE AS THE SYSTEM BY WHICH FINANCIAL AND BUSINESS CORPORATIONS ARE DIRECTED AND CONTROLLED. THE CORPORATE GOVERNANCE STRUCTURE SPECIFIES THE DISTRIBUTION OF RIGHTS AND RESPONSIBILITIES AMONG DIFFERENT PARTICIPANTS IN THE CORPORATION, SUCH AS THE BOARD, COMMITTEES, SHAREHOLDERS, MANAGERS AND OTHER STAKEHOLDERS; AND SPELLS OUT THE RULES AND PROCEDURES FOR MAKING DECISIONS ON CORPORATE AFFAIRS AND STRATEGY. BY DOING THIS, IT ALSO PROVIDES THE STRUCTURE THROUGH WHICH THE CORPORATE OBJECTIVES ARE SET AND THE MEANS OF ATTAINING THOSE OBJECTIVES AND MONITORING PERFORMANCE.

IN ADDITION TO COMPLYING FULLY WITH THE LAWS OF THE KINGDOM OF BAHRAIN, AND THE RULES AND REGULATIONS OF THE CENTRAL BANK OF BAHRAIN, BNH IS COMMITTED TO DEVELOPING AND IMPLEMENTING BEST PRACTICE IN CORPORATE GOVERNANCE IN ALL AREAS OF THE GROUP'S OPERATIONS AND RESPONSIBILITIES.

CORPORATE GOVERNANCE MODEL

The corporate governance model of BNH comprises three lines of defence. The first line entails business units implementing the Group's risk strategy according to identified risk appetite. The second line is the integrated Risk Management function that takes responsibility, independent of line management (although working closely with line management) to identify, assess, mitigate and monitor risks; and the Risk Management Committee, which takes overall responsibility for ensuring these processes are in place. The third line refers to the independent assurance and oversight provided by internal and external auditors through the Risk Committee, Audit & Compliance Committee, and the Board of Directors.

DEVELOPMENTS IN 2013

Bahrain National Holding

- New forms were developed and issued for the evaluation of Board Members by the Audit & Compliance Committee

Central Bank of Bahrain

The Group maintained full compliance with regulations of Rulebook Volume 3 – Insurance of the Central Bank of Bahrain (CBB), with no penalties being incurred during 2013.

BNH reviewed the following updates from the CBB during the year:

- US Foreign Account Tax Compliance Act (FATCA)
- Collective investment undertakings (CIUs) under Rulebook 7 of the CBB
- Proposed electronic submission of returns and analysis of data (ESRAD) by CBB licensees
- Official adoption of GCC States' identity cards

Ministry of Industry and Commerce

The Group maintained full compliance with the Corporate Governance Code of the Kingdom of Bahrain issued by the Ministry of Industry & Commerce.

BNH reviewed the following updates from the Ministry during 2013:

- Addition of information about shareholders' rights to licensees' website
- Addition of corporate governance guidelines to licensees' websites

THE BOARD

The Board of BNH comprises 8 non-executive directors and 2 independent non-executive directors. Letters of Appointment have been issued to all Directors, setting out the term of their tenure, duties and responsibilities, remuneration and attendance fees, and code of conduct and confidentiality.

The Board is responsible for the stewardship of the Group's business and affairs on behalf of the shareholders, with a view to enhancing long-term shareholder value while protecting the rights and interests of other stakeholders; and maintaining high standards of transparency and accountability. The names and profiles of Directors are listed at the front of this annual report.

Directors' attendance at Board meetings in 2013

Board members	27 Feb	27 Mar	14 May	11 Nov	18 Dec
Farouk Yousif Almoayyed	✓	✓	✓	✓	✓
Abdulhussain Khalil Dawani	✕	✓	✓	✓	✓
Abdulrahman Mohamed Juma	✓	✓	✓	✓	✕
Jehad Yousif Amin	✓	✓	✓	✓	✓
Sami Mohamed Sharif Zainal	✓	✓	✓	✓	✓
Ayad Saad Khalifa Algosaibi	✓	✓	✓	✕	✓
Ghassan Qassim Mohd Fakhroo	✓	✓	✓	✓	✓
Talal Fuad Kanoo	✕	✓	✓	✓	✓
Jassim Hasan Abdulaal	✓	✓	✓	✓	✓
Ali Hassan Mahmood	✓	✓	✓	✓	✓

CORPORATE GOVERNANCE & RISK MANAGEMENT
(continued)

The Board of Directors was elected by the shareholders at the Annual General Meeting held in March 2011 for a term of 3 years.

- All board members are non-executive.
- Mr Ayad Saad Khalifa Algosaibi and Mr Jassim Hasan Abdulaal are the independent directors on the board. An independent director is a director whom the Board has specifically determined has no material relationship with the company which could affect his independence of judgment, taking into account of all known facts.
- The induction and orientation process for the Board of Directors is carried out with the assistance of the Chief Executive and the Company Secretary, by way of continuous meetings and discussions with the Senior Management, and external and internal auditors, in order to increase awareness of current issues and market trends.
- The Board of Directors is required to meet at least four times in a financial year, and Board members are expected to attend at least 75 per cent of meetings held during any twelve-month period.
- The remuneration policy for Directors is determined by the shareholders at the Annual General Meeting.

Board of Directors and Executive Management Interests – January to December 2013

Name of Shareholder	Number of Shares as at 01/01/2013	Number of Shares as at 31/12/2013	Changes
Directors			
Farouk Yousif Almoayyed (Chairman)	1,234,088	1,234,088	-
Abdulhussain Khalil Dawani (Vice Chairman)	1,244,907	1,244,907	-
Abdulrahman Mohamed Juma	635,996	635,996	-
Jehad Yousif Abdulla Amin	523,181	566,157	42,976
Ali Hassan Mahmood	505,601	505,601	-
Ayad Saad Algosaibi	100,000	100,000	-
Sami Mohammed Sharif Zainal	139,876	139,876	-
Talal Fuad Kanoo	144,798	144,798	-
Ghassan Qassim Fakhroo	100,000	100,000	-
Executive Management			
Mahmood Al Soufi (CEO)	114,046	114,046	-

BOARD COMMITTEES

Audit & Compliance Committee (ACC)

Responsibilities

- Select external auditors and ensure their professional standards.
- Select internal auditors, and review and approval of internal audit plan. The audit plan includes review of internal control processes and procedures by the internal auditors.
- Review annual audited, half yearly and quarterly reviewed financial statements and discuss with the board members and obtain their approval.
- Assist in developing risk management framework.
- Ensure compliance with all relevant regulatory & legal rules.
- Carry out instruction of the Board for all investigations.

Directors' attendance at ACC meetings in 2013

Members	20 Feb	12 May	31 Jul	6 Nov
Jassim Hasan Abdulaal	✓	✓	✓	✓
Abdulrahman Mohamed Juma	✓	✓	✓	✓
Ayad Saad Khalifa Algosaibi	✓	✓	✓	✓

- Mr Jassim Hasan Abdulaal is Chairman of the ACC. He and Mr Ayad Saad Khalifa Algosaibi are independent members.
- The ACC members are required to meet at least four times in a financial year.

Executive Committee (EC)

Responsibilities

- Monitor the development of Group strategy in accordance with the 3 year business plan.
- Guide, monitor and coordinate the management and performance of the Group in line with approved strategies, business plan and budget.
- Develop and monitor strategic investment policy as part of the overall business plan.
- Review and recommend strategic business and investment opportunities.
- Assist in maintaining oversight of the financial requirements of the Group.

Directors' attendance at EC meetings in 2013

Members	18 Feb	9 May	25Jul	5 Nov	10 Dec
Abdulhussain Khalil Dawani	✓	✓	✓	✓	✓
Jehad Yousif Amin	✓	✓	✓	✓	✓
Ghassan Qassim Mohd Fakhroo	✓	✓	✓	✓	✓
Talal Fuad Kanoo	✕	✓	✓	✓	✓
Sami Mohamed Sharif Zainal	✓	✓	✓	✓	✓

- Mr. Abdulhussain Dawani is the Chairman of the EC.
- The EC members are required to meet at least four times in a financial year.

Nomination, Remuneration & Corporate Governance Committee (NRCG)

Responsibilities

- Monitor the establishment of an appropriate Corporate Governance framework.
- 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 performance of Board members and Senior Executives.

Directors' attendance at NRCG meetings in 2013

Members	Status	27 Feb	2 Oct
Farouk Yousif Almoayyed	-	✓	✓
Abdulhussain Khalil Dawan	-	✕	✓
Jehad Yousif Amin	-	✓	✓
Jassim Hasan Abdulaal	Independent	✓	✓

- Mr. Farouk Yousif Almoayyed is the Chairman of the NRCG.
- The NRCG members are required to meet at least two times in a financial year.

CORPORATE GOVERNANCE & RISK MANAGEMENT

(continued)

THE MANAGEMENT

The Board delegates responsibility for the day-to-day management of the business of the Group to the Chief Executive (CE) who is supported by an experienced Senior Management team and a number of Operational Committees. The names and profiles of the CE and Senior Management team are listed at the front of this annual report.

OPERATIONAL COMMITTEES

General Management Committee

Objectives

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

Membership

- Mahmood Al Soufi, Chief Executive – Chairman
- Anand Subramaniam, Chief Financial Officer – Member
- Abdulla Al Suwaidi, General Manager (bni) – Member
- Joseph Rizzo, General Manager, Risk Management & Strategy – Member
- Mohammed Kadhim, Assistant General Manager (Legal & Compliance) – Member
- Anantha Ramani, Senior Manager-Finance – Committee Secretary

Risk Management Committee

Objectives

- Set minimum standards for, and continuously monitor, the quality of the Group's reinsurers.
- Set minimum standards for insurers as ceding companies under the Group's inward business.
- Evaluate and set standards for all other business partners including brokers, agents and other intermediaries by way of creditworthiness, reputation, ratings, solvency and technical competence.
- Monitor dependency and accumulation thereof.
- Ensure compliance with statutory regulations, prudential rules and market agreements.
- Ensure the completion and implementation, monitoring and review of Enterprise Risk Management including the physical, operational and financial risks involved.
- Ensure that all corporate exposures are known and that they are maintained with the acceptable risk tolerance decided. This will also include the monitoring of the Business Continuity Plan and Disaster Recovery.
- Appoint and call members of management to perform and/or report on items under their respective departments on issues concerning the above.
- Report findings and shortcomings to the CEO and other concerned Committees.
- Monitor investment policy within and according to established mandates.

Membership

- Joseph M. Rizzo, General Manager, Risk Management & Strategy – Chairman
- Anand Subramaniam, Chief Financial Officer – Member
- Abdulla Al Suwaidi, General Manager (bni) – Member
- Robert Grey, General Manager (bnl) – Member
- Mohammed Kadhim, Assistant General Manager (Legal & Compliance) – Member

Human Capital Development Committee

Objectives

- Steer and implement all employee development programmes and other HR initiatives.
- Structure such programmes to meet agreed objectives in respect of development scope, duration and budget.
- Provide guidance and support to all participants and GMs for implementation and ongoing monitoring of such programmes and the agreed deliverables.
- Research and develop appropriate channels for such programme content and quality.
- Periodically review and assess the Group's training and development policies and procedures.
- Support the Group's recruitment policy through interviews and assessment of potential employees.

Membership

- Mahmood Al Soufi, Chief Executive – Chairman
- Anand Subramaniam, Chief Financial Officer – Member
- Abdulla Al Suwaidi, General Manager (bni) – Member
- Joseph Rizzo, General Manager, Risk Management & Strategy – Member
- Robert Grey, General Manager (bnl) – Member
- Fareed Hasan Amin, Manager-Human Capital – Member

Compliance Responsibility

Responsibility for ensuring the Group's compliance with the rules, regulations and guidelines of the Central Bank of Bahrain resides with the Assistant General Manager – Legal & Compliance, who also acts as Company Secretary. He is responsible for managing the Group's dedicated Legal and Compliance Unit which is directly responsible for all compliance issues.

Transparency & Efficiency

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

Policies & Procedures

During 2013, BNH continued to regularly review and update all key policy and procedures manuals, covering critical operational areas in the Group's insurance subsidiaries and across all functions of the organisation.

Directors & Officers (D & O) Policy

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. No claims have been reported during the last 10 years.

Anti-Money Laundering (AML)

The Group has in place policies and procedures to handle all aspects of anti-money laundering activities in line with regulations of the Central Bank of Bahrain. Each year, the Group conducts a thorough review of its policies, procedures and internal directives to ensure ongoing compliance. The Group has submitted its external auditors report for the year 2012 in accordance with the requirement of the Central Bank of Bahrain.

Key Persons Trading

The Group's compliance with the latest Key Persons Trading regulations of the Central Bank of Bahrain is supervised by the Audit & Compliance Committee which reports to the Board of Directors. The Group has submitted its internal audit report for the year 2013 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 behaviour and working practices of the Directors, Management and staff. The compliance with the code of Business Ethics by the staff is monitored by the Human Capital Department; while Board members collectively or individually monitor compliance by Board members.

Penalties

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

Communications

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

RISK MANAGEMENT REVIEW

During 2013, the Risk Management Department, which reports to the Audit Committee, continued to assess the Group's risk exposures resulting from its operations. This was conducted both at the level of the holding company as well as the two subsidiaries, namely bni and bnl.

Risk Register

Management has identified, categorised and quantified a number of risks. Once quantified, the risks were included in the Risk Register according to their impact, with the critical ones first to be treated with priority, and followed by the moderate-to-low risks. Each one of these identified risks were further analysed into level two risks in order to make it easier to identify cause and effect, and assist in the introduction of mitigating actions and control functions. All level two risks for high-classified exposures have, during this year, been allocated various actions to mitigate and reduce the possibility of occurrence; and also assigned control functions that should trigger certain escalation if these are not followed. Each control function has also been assigned to specific personnel and/or departments to ensure responsibility and accountability

The Internal Audit team has based their review using the risks identified in the Risk Register, and will follow up on the suggested mitigation controls to ensure correct abidance with risk management procedures.

Economic Capital Model

As part of the development of managing risk, Management has introduced a model which allocates capital based on risk exposure. This model is t used to enable Management to define its own limitations according to the risk appetite agreed by the Board for its core insurance activities.

Economic Capital is defined as the amount of capital that a company needs in order to support all material risks to which it is exposed. The Economic Capital Model takes data from the financials of the holding company and those of its subsidiaries. Using the specified calibrated model, the capital requirements of the companies are generated by stressing selected variables which affect the risk exposures identified above.

The shock inputs created by stress testing were based on the 99.5th percentile as indicated by Solvency II. The model uses the following risk headings for capital allocation:

- Market Risk: This is the effect of market fluctuations in the investments and assets of the company

- Insurance Risk: This is the risk inherent to the insurance industry, and consists of the selection and the quality of the risks underwritten by the company.

- Counterparty default risk: In assessing the impact of default, the model takes into consideration trade debtors, third party and reinsurance recoveries as counterparties, and calculates what capital is required according to pre-agreed stress scenarios.

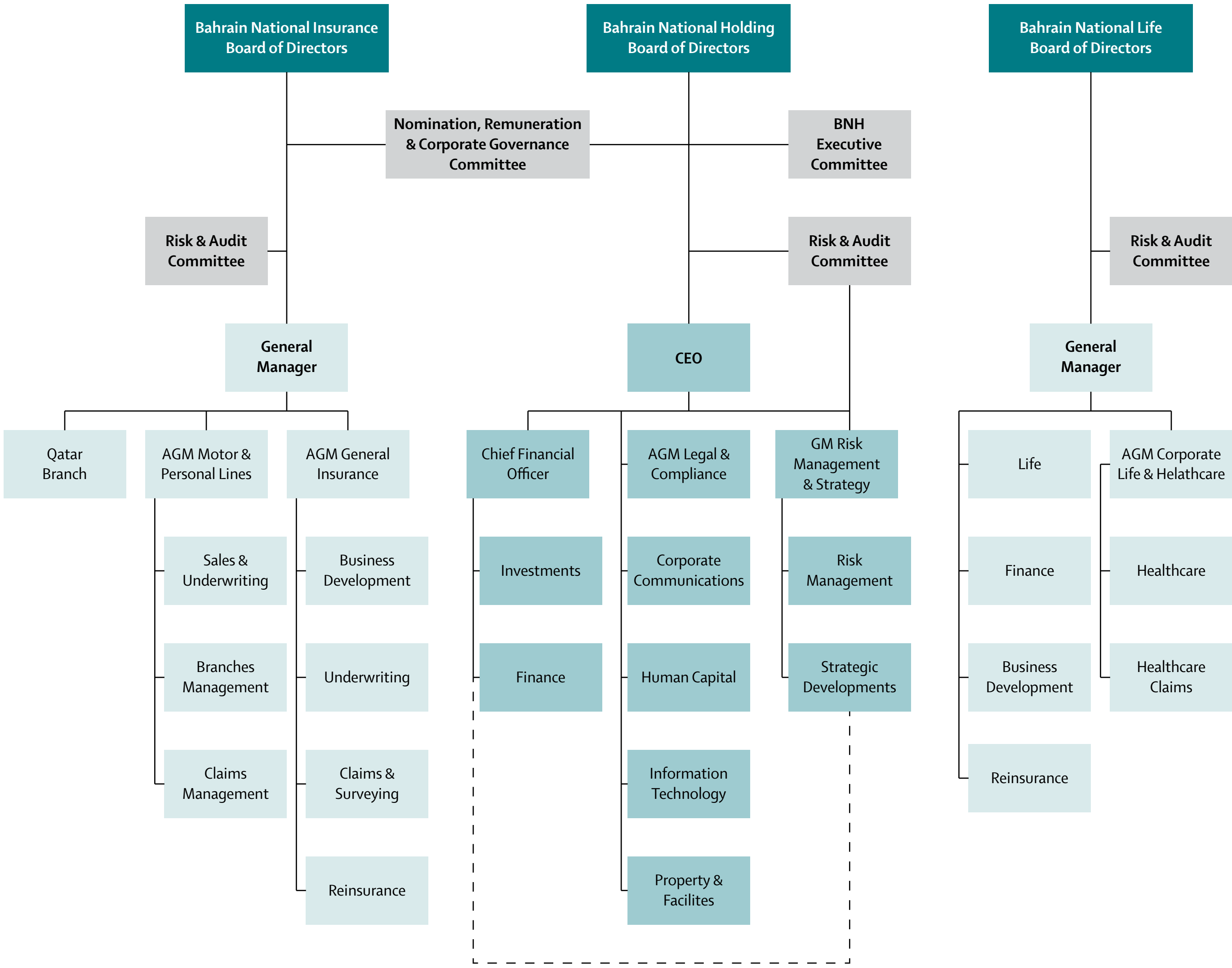
- Operational Risk: The model will project exposure in this area by using historical data splits by source, gross and net premiums and claims, to create scenarios due to failure in operations.

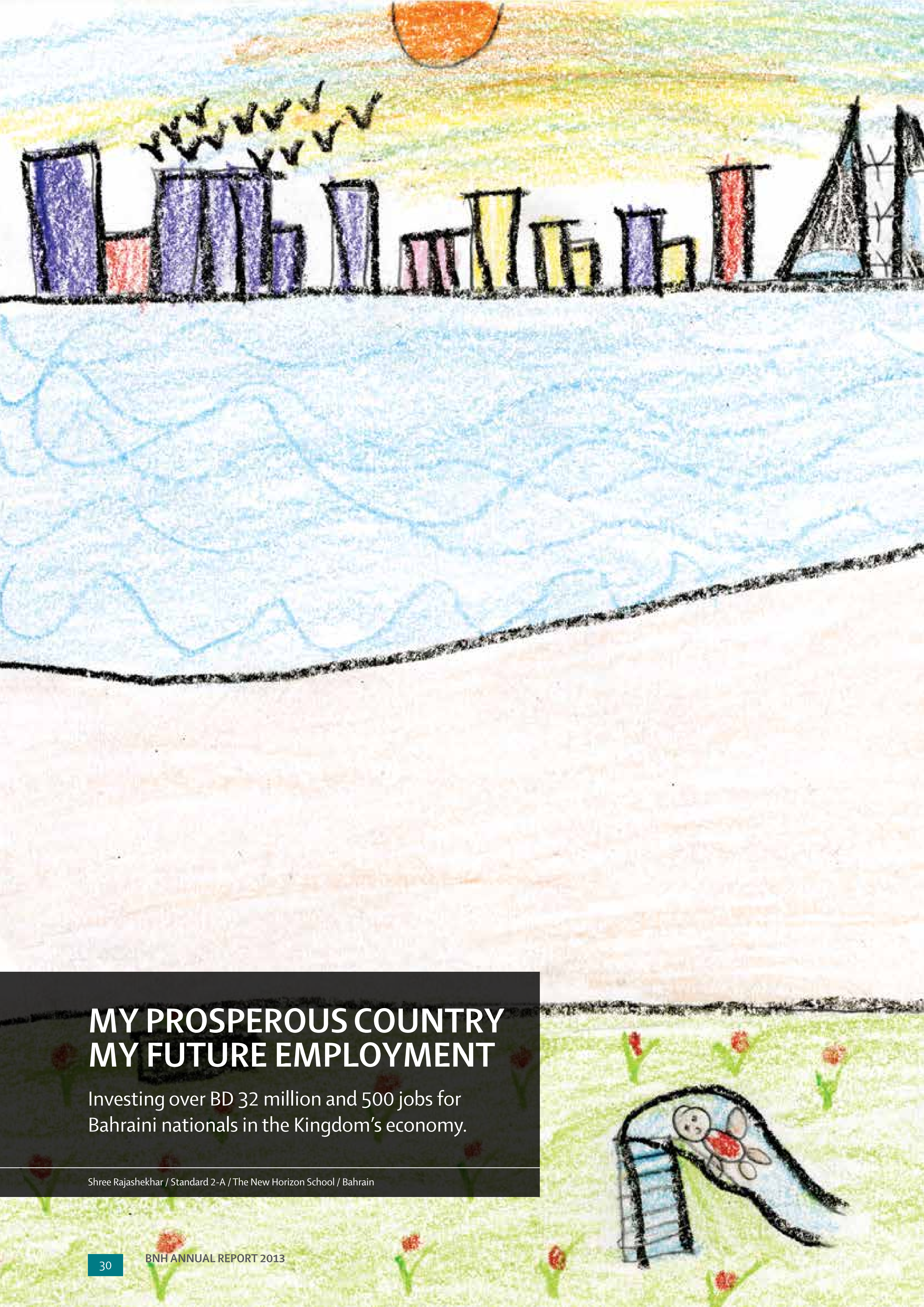
- Diversification Allowance: The model allows for diversification at a company level (e.g. the capital requirement for bni will be smaller than the sum of its Motor & Personal Lines and Commercial lines due to diversification). However, diversification is not allowed for at a Group level. In other words, the capital requirement for BNH Group will equal the sum of the capital requirements of the different companies, with no allowance for diversification.

The output from the economic capital model shows that the majority of BNH's economic capital requirement (as calculated by the model) comes from market risk. For some of the other parameters that are largely immaterial in the context of the capital requirement for BNH as a whole (e.g. mortality), the model also incorporated some subjective judgement to derive the final shocks that were used.

The economic capital model is being run every six months, and Management will take the capital allocation indicated by the model to develop and test their ongoing and strategic operations. The readings have always been within the company's risk appetite as identified by the Board. Further enhancements will be made as the Group continues to develop this model to cater for the growth and evaluation of opportunities.

ORGANISATION STRUCTURE





MY PROSPEROUS COUNTRY MY FUTURE EMPLOYMENT

Investing over BD 32 million and 500 jobs for Bahraini nationals in the Kingdom's economy.

Shree Rajashekhar / Standard 2-A / The New Horizon School / Bahrain

CORPORATE SOCIAL RESPONSIBILITY

AS A LEADING BAHRAIN-BASED FINANCIAL INSTITUTION, WE ARE COMMITTED TO CONTRIBUTING TO THE SOCIAL WELL-BEING AND ECONOMIC PROSPERITY OF THE KINGDOM. THROUGHOUT 2013, BNH AND ITS SUBSIDIARIES – BNI AND BNL – CONTINUED TO IMPLEMENT THE GROUP'S WIDE-RANGING CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAMME.

This comprises raising awareness about health and safety issues; sponsoring initiatives and events to support the growth and development of the regional insurance industry; providing financial assistance and practical support for charitable, community, educational, medical, cultural and sporting organisations; and encouraging and sponsoring staff to participate in community activities. Some examples of the Group's varied CSR activities during 2013 are listed below:

Health and Safety

- bnl organised the first-of-its kind Walkathon for Diabetes, with the general public taking part to raise funds for the Bahrain Diabetic Society to purchase insulin pumps for children.
- bni organised the first Children's Car Seat Campaign in collaboration with the Traffic Directorate in order to raise public awareness about car safety for children.
- BNH supported the Bahrain Sickle Cell Society at the fund-raising event organised by the Northern Governorate. The Group's contribution took the form of funding the Society's website, which aims to raise awareness and educate the public about Sickle Cell Disease.
- BNH sponsored the 2013 Ritz Carlton Squash Tournament to support health awareness.

Insurance

- Sponsored the Gulf's first Professional Occupation Insurance Forum.
- Sponsored the 5th International Conference on Multidimensional Finance, Insurance and Investment
- Sponsored Insurance Awareness Week organised by the Bahrain Insurance Association.
- Sponsored the EXPONENT Management Forum.
- Participated in a number of insurance industry conferences and seminars.

Education

- BNH joined the Board of INJAZ Bahrain, a non-profit organisation which partners with businesses and educators to provide studentswith a business-oriented outlook; the knowledge, skills, tools and hands-on experience to participate in the real world; and to nurture an entrepreneurial spirit, empowering youth to own their economic success.
- Sponsored the activities of Bahrain Chapter of the Global Chartered Financial Analyst (CFA) Institute in support of professional qualifications, education and networking.
- Hosted and sponsored learning events in collaboration with the Bahrain Chapter of the Entrepreneurs' Organization to help young entrepreneurs realize their full potential.
- Piloted the BNH Executive Development Programme, which is funded and supported by Tamkeen, with an initial batch of 13 young Bahraini candidates.
- Provided summer internships and work placements for Bahraini students.

Staff Participation

- Entered a BNH team for the Bahrain Marathon Relay, a major annual fund-raising event that supports charitable organisations in the Kingdom.
- Engaged staff in internal activities to promote health awareness, including World Diabetes Day, World Heart Day, World Food Day and Cardiology Red Day.
- Organised a blood donation drive for staff and customers.
- Supported staff to participate in a range of charitable, sporting and community activities, including programmes of INJAZ Bahrain.
- Encouraged staff to recycle waste, conserve energy, and reduce the use of paper.

Charities

- Donated computers and air conditioners to the Friendship Society for the Blind.
- Donated a bus to the UCO Parents Care Centre.
- Sponsored the World Food Day with Your FM 104, which distributes food to labour camps in cooperation with Lulu Hypermarkets under the patronage of the Royal Charity Organisation.
- Supported the Rotary Club of Adliya in rehabilitating houses of needy families in Galali.
- Donated Ramadan coupons for needy families.
- Provided free insurance cover for charitable societies' vehicles.

CONTACTS

Registered office

P.O. Box 843, 9th Floor, BNH Tower,
Seef Business District,
Kingdom of Bahrain

Telephone: 17 587300, 17 587400
Fax: 17 583299, 17 583099

E-mail: ce@bnhgroup.com

Website: www.bnhgroup.com
www.bnidirect.com
www.bnl4life.com

Listing

Bahrain Bourse

Auditors to the group

KPMG, P.O. Box 710, Bahrain

Registrars to the group

Fakhro Karvy Computershare W.L.L.

Actuaries

Actuarial Partners Consulting Sdn. Bhd (35090-4)
50250 Kuala Lumpur
Malaysia

Bankers to the group

Ahli United Bank
HSBC Bank
National Bank of Bahrain
Bank of Bahrain & Kuwait

bni's branches and outlets:

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Seef Business District

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Fax: 17 583299, 17 583099

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Telephone: 17 627050, 17 627070
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University of Bahrain: Food Court,
University of Bahrain, Sakhir

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Hamad Town branch: Shop No. 255,
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Sitra branch: Building No. 946,
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Isa Town branch: Isa Town Mall,
Shop No. 16, Isa Town

Telephone: 17 897200
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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

KPMG

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Audit
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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The Bahrain National Holding Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

Manama, Kingdom of Bahrain
18 February 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013 (In thousands of Bahraini Dinars)

	Note	2013	2012
ASSETS			
Cash and cash equivalents	3	10,422	11,787
Receivables	4	6,934	6,400
Investment securities	5	32,779	28,454
Equity accounted investees	8	12,001	11,610
Reinsurers' share of insurance technical reserves	9	14,296	11,534
Net deferred acquisition cost	16	145	52
Investment properties	11	3,505	3,602
Property and equipment	12	2,982	3,226
Statutory deposits	13	125	125
TOTAL ASSETS		**83,189**	76,790
LIABILITIES			
Insurance technical reserves	14	28,893	25,746
Insurance payables	18	4,503	3,299
Bank loan	19	1,000	1,160
Other liabilities	20	3,537	3,722
TOTAL LIABILITIES		**37,933**	33,927
TOTAL NET ASSETS		**45,256**	42,863
EQUITY			
Share capital	22	11,350	11,350
Treasury shares	22 c)	(1,868)	(1,868)
Statutory reserve	23 a)	5,675	5,675
Share premium	23 b)	3,990	3,990
General reserve	23 c)	13,585	13,585
Investment fair value reserve	23 d)	3,747	2,673
Retained earnings		6,689	5,365
Equity attributable to shareholders of the parent company		**43,168**	40,770
Non-controlling interest	10	2,088	2,093
TOTAL EQUITY		**45,256**	42,863

The Board of Directors approved the consolidated financial statements consisting of pages 38 to 83 on 18 February 2014.

Farouk Yousif Almoayyed
Chairman

Abdul-Hussain Khalil Dawani
Vice Chairman

Sameer Al Wazzan
Chief Executive

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013 (In thousands of Bahraini Dinars)

	Note	2013	2012
GROSS PREMIUMS	25	**24,920**	23,308
Reinsurance ceded		(10,642)	(8,704)
Retained premiums		14,278	14,604
Net unearned premiums adjustment	16	55	(235)
NET PREMIUMS EARNED		**14,333**	14,369
Gross claims paid		(17,273)	(17,172)
Claims recoveries		8,090	8,314
Net outstanding claims adjustment	15	176	(218)
NET CLAIMS INCURRED		**(9,007)**	(9,076)
GROSS UNDERWRITING PROFIT FOR THE YEAR		**5,326**	5,293
Other operating expenses	29 a)	(4,376)	(4,531)
Net commission income	26	494	479
(Charges) / release from life assurance actuarial reserve	17	(178)	244
NET UNDERWRITING PROFIT FOR THE YEAR		**1,266**	1,485
Net investment income from portfolio	27	2,494	1,486
Policyholders' share of investment income	17	(279)	(181)
Share of profit of equity accounted investees	8	677	762
Net income from investment properties	28	128	134
Corporate and financial expenses	29 b)	(1,264)	(1,361)
PROFIT FOR THE YEAR		**3,022**	2,325
Profit attributable to:			
Parent company		2,983	2,158
Non-controlling interest		39	167
PROFIT FOR THE YEAR		**3,022**	2,325
Basic earnings per share (100 Fils each)	22 e)	**27.8 Fils**	20.1 Fils

The Board of Directors approved the consolidated financial statements consisting of pages 38 to 83 on 18 February 2014.

Farouk Yousif Almoayyed
Chairman

Abdul-Hussain Khalil Dawani
Vice Chairman

Sameer Al Wazzan
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013 (In thousands of Bahraini Dinars)

	2013	2012
NET PROFIT FOR THE YEAR	**3,022**	2,325
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss:		
Available-for-sale securities:		
- Change in fair value	1,591	673
- Impairment transferred to income statement	154	25
- Transfer to income statement on disposal of securities	(734)	(189)
Share of other comprehensive income of associate	125	3
Other comprehensive income for the year	**1,136**	512
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,158**	2,837
Total comprehensive income attributable to:		
Parent company	4,057	2,661
Non-controlling interest	101	176
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,158**	2,837

The consolidated financial statements consist of pages 38 to 83.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013 (In thousands of Bahraini Dinars)

2013	Share capital	Treasury shares	Statutory reserve	Share premium	General reserve	Investment fair value reserve	Retained earnings	Total	Non-controlling Interest	Total Equity
	Attributable to the shareholders of the parent company									
Balance at 1 January 2013	**11,350**	**(1,868)**	**5,675**	**3,990**	**13,585**	**2,673**	**5,365**	**40,770**	**2,093**	**42,863**
Net profit for the year	-	-	-	-	-	-	**2,983**	**2,983**	**39**	**3,022**
Other comprehensive income:										
Available for sale securities:										
- Change in fair value	-	-	-	-	-	1,501	-	1,501	90	1,591
- Impairment transferred to income statement	-	-	-	-	-	152	-	152	2	154
- Transfer to income statement on disposal of Securities	-	-	-	-	-	(704)	-	(704)	(30)	(734)
Share of other comprehensive income of associate						125	-	125	-	125
Total other comprehensive income	-	-	-	-	-	**1,074**	-	**1,074**	**62**	**1,136**
Total comprehensive income for the year	-	-	-	-	-	**1,074**	**2,983**	**4,057**	**101**	**4,158**
Dividends declared for 2012 for shareholders	-	-	-	-	-	-	(1,609)	(1,609)	-	(1,609)
Dividends declared to non-controlling interest	-	-	-	-	-	-	-	-	(106)	(106)
Donations for 2012	-	-	-	-	-	-	(50)	(50)	-	(50)
Balance at 31 December 2013	**11,350**	**(1,868)**	**5,675**	**3,990**	**13,585**	**3,747**	**6,689**	**43,168**	**2,088**	**45,256**

The consolidated financial statements consist of pages 38 to 83.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2013 (In thousands of Bahraini Dinars)

	Attributable to the shareholders of the parent company									
2012	Share capital	Treasury shares	Statutory reserve	Share premium	General reserve	Investment fair value reserve	Retained earnings	Total	Non-controlling Interest	Total Equity
Balance at 1 January 2012	11,350	(1,868)	5,675	3,990	13,585	2,170	5,402	40,304	1,917	42,221
Net profit for the year	-	-	-	-	-	-	2,158	2,158	167	2,325
Other comprehensive income:										
Available for sale securities:										
- Change in fair value	-	-	-	-	-	650	-	650	23	673
- Impairment transferred to income statement	-	-	-	-	-	24	-	24	1	25
- Transfer to income statement on disposal of Securities	-	-	-	-	-	(174)	-	(174)	(15)	(189)
Share of other comprehensive income of associate						3	-	3	-	3
Total other comprehensive income	-	-	-	-	-	503	-	503	9	512
Total comprehensive income for the year	-	-	-	-	-	503	2,158	2,661	176	2,837
Dividends declared for 2011	-	-	-	-	-	-	(2,145)	(2,145)	-	(2,145)
Donations for 2011	-	-	-	-	-	-	(50)	(50)	-	(50)
Balance at 31 December 2012	11,350	(1,868)	5,675	3,990	13,585	2,673	5,365	40,770	2,093	42,863

The consolidated financial statements consist of pages 38 to 83.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013 (In thousands of Bahraini Dinars)

	2013	2012
OPERATING ACTIVITIES		
Insurance operations (including life assurance)		
Premiums received net of acquisition costs	26,760	22,936
Payments to insurance and reinsurance companies	(10,271)	(8,906)
Claims paid to policyholders	(17,139)	(16,691)
Claims recovered from reinsurers and salvage recoveries	7,384	8,284
Cash flows from insurance operations	**6,734**	5,623
Investment operations		
Dividends and interest received	1,512	1,273
Proceeds from sale and redemptions	9,544	8,085
Payments for purchases	(11,884)	(8,666)
Investment in associates and joint-venture	(144)	(226)
Proceeds from voluntary liquidation of associate	142	2,940
Dividends received from associates	413	450
Payments for development of investment property	(83)	(209)
Rents received	395	282
Cash flows (used in) / from investment operations	**(105)**	3,929
Other operating expenses paid	**(5,660)**	(4,708)
Cash flows from operating activities	**969**	4,844
INVESTMENT ACTIVITIES		
Purchase of property and equipment	(310)	(141)
Cash flows used in investment activities	**(310)**	(141)
FINANCING ACTIVITIES		
Proceeds from bank loan	340	1,160
Repayment of bank loan	(500)	-
Finance costs paid	(52)	-
Dividends paid to non-controlling interest	(106)	-
Dividends paid to shareholders	(1,659)	(2,089)
Donations paid	(47)	(31)
Cash flows used in financing activities	**(2,024)**	(960)
TOTAL NET CASH FLOWS DURING THE YEAR	**(1,365)**	3,743
Cash and cash equivalents at 1 January	11,787	8,044
Cash and cash equivalents at 31 December	**10,422**	11,787
CASH AND CASH EQUIVALENTS at 31 December		
Cash and bank balances	3,636	2,237
Short-term deposits	6,786	9,550
Total as per statement of financial position	**10,422**	11,787

The consolidated financial statements consist of pages 38 to 83.

NOTES TO THE 2013 FINANCIAL STATEMENTS

1 STATUS AND OPERATIONS

The Bahrain National Holding Company B.S.C. ("the Company") was incorporated in 1998, as a Bahraini public shareholding company, by Charter of His Highness the Amir of the Kingdom of Bahrain to transact various types of investment business. The Company was listed on the Bahrain Bourse on 3 January 1999.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Bahrain Commercial Companies Law 2001.

b) Basis of preparation

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 securities carried at fair value through profit or loss and available-for-sale securities, which are stated at their fair values.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2 h).

c) New standards, amendments and interpretations effective from 1 January 2013

The following standards, amendments and interpretations, which became effective as of 1 January 2013, are relevant to the Group:

i. IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

The adoption of this amendment had no significant impact on the consolidated financial statements.

ii. IAS 19 – Employee benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two.

The adoption of this amendment had no significant impact on the consolidated financial statements.

iii. IAS 28 (2011) – Investment in Associates and Joint ventures

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments;

Associates held for sale: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the entity applies the equity method until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture, and

On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

The adoption of this amendment had no significant impact on the consolidated financial statements.

iv. Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. Based on the new disclosure requirements the Group has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

The adoption of this amendment had no significant impact on the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

v. IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. This new control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The Group has amended its accounting policy on consolidation in line with requirements of IFRS 10 and has re-assessed its consolidation conclusion.

The reassessment of control and consolidation requirements had no significant impact on the consolidated financial statements.

vi. IFRS 11 – Joint Arrangements

IFRS 11 replaces the parts of previously existing IAS 31 Interests in Joint Ventures that dealt with joint ventures. IFRS 11 requires that interests in joint arrangements be classified as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement. When making this assessment, the Group has to consider the structure of the arrangements and other facts and circumstances.

The Group has amended its accounting policy for its interest in joint arrangements and has re-evaluated its involvement in its joint arrangements.

The re-evaluation of involvement in joint arrangements had no significant impact on the consolidated financial statements

vii. IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries and other structured entities. Refer to notes 8 and 10.

viii. IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As a result, the Group has included additional disclosures in this regard. Please refer to note 35.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

ix. Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards.

There were no significant changes to the current accounting policies of the Group as a result of these amendments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

i. IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Financial assets held within a business model whose objectives are to hold assets in order to collect contractual cash flows and for sale are classified and measured at fair value through other comprehensive income. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Given the nature of the Group's operations, this standard is expected to have a significant impact on the Group's financial statements.

ii. Amendments to IAS 19R: Employee Benefits

IAS 19 Employee Benefits (Amendments to IAS 19R) apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

iv. Amendments to IAS 36 on recoverable amount disclosures for non-financial assets

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) have expanded disclosures of recoverable amounts when the amounts are based on fair value less costs of disposals and impairment is recognized.

The amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.

The Group is not expecting a significant impact from the adoption of these amendments.

e) Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

ii. Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets not held by the Group and is presented separately in the consolidated income statement, statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent company shareholders' equity.

iii. Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

iv. Joint ventures

The group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 January 2012.

v. 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.

f) Basis of accounting

i. Insurance

The Group issues contracts that transfer insurance risk or financial risk or both. The Group classifies all its contracts individually as either insurance contracts or investment contracts. Contracts which contain both insurance components and investment components, and where the investment component can be measured independently from the insurance component, are "unbundled" i.e. separately classified and accounted for as insurance contracts and investment contracts. The investment contract has been accounted for and recognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement and the insurance contract has been accounted for and recognized in accordance with IFRS 4 – Insurance Contracts.

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

ii. General insurance business

Gross premiums

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

Reinsurance ceded

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

Unearned premiums

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

- by the 24th method for all annual insurance contracts, except for marine cargo business, and
- by the 6th method for marine cargo business,

in order to spread the contributions earned over the tenure of the insurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims settled

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

Outstanding claims

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date.

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

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

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

General insurance provisions are not discounted for time value of money.

Commission income

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

Deferred commission and acquisition costs

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

Salvage and subrogation reimbursements

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

Other operating expenses

Other operating expenses include direct operating expenses. All expenses are charged to the income statement in the year in which they are incurred.

iii. Life assurance business

Bahrain National Life Assurance Company, the life assurance subsidiary of the Group, underwrites two categories of policies:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross premiums

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

Reinsurance ceded

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

Claims

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

Bonuses

Bonuses to policyholders on profit-linked insurance contracts are recognised when declared by the Group.

Outstanding claims

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

Life assurance actuarial reserve

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

Surpluses, if any, are released to the income statement at the discretion of the Board of Directors. The surplus represents amounts arising out of participating contracts, the allocation of which has not been determined at the reporting date and future allocations of which are at the discretion of the Group.

Fee and commission income

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

iv. Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities, net of related deferred acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the income statement by establishing a provision for losses arising from liability adequacy tests.

v. Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in Note 2 f) i are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consists of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

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

vi. Investments

Classification

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

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

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

Recognition and de-recognition

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

Measurement

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

Gains and losses on subsequent measurement

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

Fair value basis

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

Gains or losses on disposal of investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrealised valuation gains or losses

Unrealised valuation gains or losses arising from re-measurement of securities carried at fair value through income statement at each reporting date are included in investment income. Unrealised valuation gains or losses arising from the re-measurement of available-for-sale securities at each reporting date are transferred to the investment fair value reserve, which is disclosed as a separate component of other comprehensive income.

Gains or losses arising from re-measurement, at amortised cost

Gains or losses arising from re-measurement, at amortised cost, of held-to-maturity securities at each reporting date are transferred to investment income.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

vii. Financial assets and liabilities

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

A financial liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability), including transaction costs that are directly attributable to its acquisition or issue.

The Group derecognises a financial asset when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership. The Group writes off certain financial assets when they are determined uncollectible. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Measurement principles

Financial assets and liabilities are measured either at fair value, amortised cost or in certain cases carried at cost.

Fair value measurement

Fair value measurement – policy from 1 January 2013

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Fair value measurement – policy prior to 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. In the absence of active markets or other appropriate methods from which to derive reliable fair values, the unquoted securities are stated at cost less impairment.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate.

Offsetting of financing instruments

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

Income and expense are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

viii. Receivables

Receivables are initially measured at invoiced amount, being the fair value of the policyholder, insurance companies and reinsurance companies receivables and subsequently carried at amortised cost less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. A provision is made when the carrying amount of the asset exceeds the present value of the estimated future cash flows, discounted at the effective interest rate. This assessment is carried out for each policyholder, insurance companies and reinsurance companies.

ix. Cash and cash equivalent:

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

x. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and provision for impairment losses, if any. 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.

Subsequent expenditure

Expenditure subsequent to initial recognition is capitalised only when it increases future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense when incurred.

Depreciation

Depreciation on property and equipment is provided on cost on a straight-line basis at annual rates, which are intended to write-off the cost of the assets, less estimated realizable value at the end of the useful life of the item, over the useful life of the assets. The useful lives of different categories of property and equipment are as under:

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

Depreciation is charged to the income statement. 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 statement of financial position, the resulting gain or loss being recognised in the income statement.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

xi. Impairment of assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of AFS securities

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

Impairment losses recognised in the income statement on AFS equity instruments are subsequently reversed through the statement of comprehensive income.

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

Other non-financial assets

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. 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. 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 income statement.

xii. Borrowings

Borrowings are recognised initially as proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

xiii. Employees' benefits

Bahraini employees

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

Expatriate employees

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

Employee savings scheme

The Group has a voluntary employees saving scheme. The Group and the employee contribute monthly on a fixed percentage of salaries basis to the scheme. The scheme is managed and administered by a board of trustees.

xiv. 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.

xv. Dividends

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

xvi. Directors' remunerations

Directors' remunerations are charged to the income statement in the year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

xvii. 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, Group's Executive Committee and General Management 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, Executive Committee and General Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

g) Foreign currency translation

i. Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency.

ii. 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 income statement.

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

iii. 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 companies.

h) Critical accounting estimates and judgments in applying accounting policies

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The estimation for claims incurred but not reported (IBNR) using statistical models include an estimation made to meet certain contingencies such as unexpected and unfavorable court judgments which may require a higher payout than originally estimated and settlement of claims, which may take longer than expected, resulting in actual payouts being higher than estimated.

ii. Life assurance actuarial reserve estimation

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and comparable mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience. Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, estimates have been made as to the percentage of contract holders that will exercise them.

Changes in investment conditions could result in significantly more contract holders exercising their options than has been assumed. With respect to changes in policyholder options, reserves do not take into account lapsation. Thus there is no effect of changes in policyholder options.

Estimates are also made as to future investment income arising from the assets backing long term insurance contracts. These estimates are based upon the current market returns as well as expectations about future economic and financial developments. For the long term plans an assumption of 4.5% has been used. This has resulted in surplus generated in the past. For the accumulation products where the entire investments return less charge are given to the policyholders, there is no surplus from investment income.

For other plans such as yearly renewable plans where 1/24 method of reserving is used, the entire 3% income on reserves is contribution to surplus.

For long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participant Feature (DPF), estimates are made in two stages. Estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions.

These assumptions are 'locked in' for the duration of the contract. New estimates are made each subsequent year in order to determine whether the previous liabilities are adequate in the light of these latest estimates. If the liabilities are considered adequate, the assumptions are not altered. If they are not adequate, the assumptions are altered ('unlocked') to reflect the best estimate assumptions. A key feature of the adequacy testing for these contracts is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

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

The Group determines that available-for-sale equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In the case of quoted equity securities in active markets, the Group considers a decline in value below cost of 30%, or a decline that persists for more than 270 days as an indicator of impairment. In the case where markets for the investment are assessed to be inactive, the Group determines impairment based on its assessment of the investee companies' financial health, industry and sector performance. At 31 December 2013, the Group had a decline in value of certain AFS securities below their cost by BD 359 thousand (2012: BD 460 thousand) of which BD 185 thousand (2012: BD 148 thousand) has been taken to the income statement as impairment on investments and the balance amount of BD 174 thousand (2012: BD 312 thousand) is not considered to be impaired in accordance with the Group's impairment policy and accordingly is taken to investment fair value reserve.

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

Impairment losses on held-to-maturity securities carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in income statement and reflected in an allowance against the investment. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

iv. Classification of investments

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

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Classification of UltraTune Middle East as a joint venture

Ultra Tune holds 50% of the voting rights of its joint arrangement. The group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The group's joint arrangement is structured as a limited company and provides the group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

3 CASH AND CASH EQUIVALENTS

	2013	2012
Cash and bank balances	3,636	2,237
Short term deposits	6,786	9,550
Total	**10,422**	11,787

4 RECEIVABLES

	2013	2012
Insurance receivables		
Policyholders	2,608	2,957
Less: provision for impairment of receivables from policyholders	(275)	(256)
Insurance and reinsurance companies	3,559	2,853
Less: provision for impairment of receivables from insurance and reinsurance companies	(39)	(39)
Total insurance receivables	5,853	5,515
Other receivables:		
Prepayments and advances	214	161
Accrued income	659	565
Others	208	159
Total other receivables	1,081	885
Total receivables	**6,934**	6,400

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

	2013	2012
Balance at beginning of the year	295	305
Balances recovered during the year	-	(18)
Additional amounts provided during the year	19	8
Balance at end of the year	**314**	295

5 INVESTMENT SECURITIES

	2013	2012
Securities carried at fair value through profit or loss	2,522	2,346
Available for sale securities	21,809	16,468
Held-to-maturity securities	8,448	9,640
Total	**32,779**	28,454

5 INVESTMENT SECURITIES (continued)

a) Securities carried at fair value through profit or loss

	2013	2012
Quoted, at fair value:		
Equities	982	877
Government bonds	79	81
Other bonds	39	38
Managed funds	1,422	1,350
Total	**2,522**	2,346
Movement during the year		
Opening balance as at 1 January	2,346	1,985
Purchases	297	851
Sales	(420)	(572)
Valuation gains	299	82
Balance as at 31 December	**2,522**	2,346

The fair value of all financial assets at fair value through profit or loss investment securities is based on their current bid prices in an active market.

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in notes 31, 32, 33 and 35.

b) Available-for-sale securities

	2013	2012
Quoted, at fair value:		
Equities	9,678	8,439
Government bonds	701	730
Other bonds	3,164	1,656
Managed funds	8,065	5,300
Unquoted equities & funds, at cost	201	343
Total	**21,809**	16,468
Movement during the year		
Opening balance as at 1 January	16,468	14,992
Purchases	11,115	6,677
Sales	(7,208)	(5,621)
Valuation gains	1,619	568
	21,994	16,616
Impairments - at cost	(174)	(122)
Impairments - at fair value	(11)	(26)
Balance as at 31 December	**21,809**	16,468

Investments in unquoted equities and funds are carried at cost less impairment in the absence of a reliable measure of fair value.

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in notes 31, 32, 33 and 35.

Reclassification out of trading securities to Available-for-sale securities

Pursuant to the amendments to IAS 39 and IFRS 7, the Company had reclassified certain trading securities to available-for-sale securities. The Company determined that the deterioration of the financial markets during the third and fourth quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category. The Company identified financial assets eligible under the amendments, for which it had changed its intent such that it no longer held these financial assets for the purpose of selling in the short term.

(In thousands of Bahraini Dinars)

5 INVESTMENT SECURITIES (continued)

Under IAS 39 as amended, the reclassification was made with effect from 30 June 2008 at fair value at that date. The table below sets the financial asset reclassified and the carrying and fair value.

	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Trading securities reclassified to available-for-sale securities	2,155	2,155	2,717	2,717

The table below sets out the amounts actually recognised in income statement and equity in respect of the financial asset reclassified out of trading securities:

	31 December 2013		31 December 2012	
	Income Statement	Equity	Income Statement	Equity
Period after reclassification				
Profit / (loss) on sale of reclassified securities	156	-	(13)	-
Net change in fair value	-	42	-	691
	156	42	(13)	691

The gain amount of BD 42 thousand (2012: BD 691 thousand) would have been recognised in the income statement in the period if reclassifications had not been made.

c) Held-to-maturity securities

	2013	2012	2013	2012
	Fair value	Fair value	Carrying value	Carrying value
Government bonds	3,031	2,685	2,837	2,408
Other bonds	5,862	7,650	5,611	7,232
Total	**8,893**	10,335	**8,448**	9,640

Movement during the year	2013	2012
Opening balance as at 1 January	9,640	10,138
Purchases	453	1,137
Disposals on maturity	(1,579)	(1,626)
Exchange losses	(66)	(9)
Balance as at 31 December	**8,448**	9,640

Information about the Group's exposure to credit and market risk is included in notes 31, 32 and 33.

6 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' investments (including investments of the staff retirement scheme) at the reporting date, included under "investments in securities" is as follows:

	2013	2012
Investments in securities	3,802	3,968
Life assurance actuarial reserve (note 17)	3,133	2,517

7 EFFECTIVE INTEREST RATES ON CASH AND BONDS

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:

7 EFFECTIVE INTEREST RATES ON CASH AND BONDS (continued)

	2013 Aggregate principal	2013 Effective rate	2012 Aggregate principal	2012 Effective rate
Cash and short-term deposits	10,547	2.15%	11,914	1.64%
Fixed rate bonds	12,431	6.00%	12,071	5.65%
Floating rate bonds (repriced within 4-6 months)	-	-	75	4.00%

8 EQUITY ACCOUNTED INVESTEES

a) Interests in joint arrangements and associates

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

Name of the entity	Place of business/ country of incorporation	Proportion of ownership and voting power held by the Group 2013	2012	Principal activities
Ultra Tune Middle East Company W.L.L.	Kingdom of Bahrain	50%	50%	Transact the business of automobile smash repairs, roadside assistance and automobile services
National Finance House BSC (c)	Kingdom of Bahrain	30%	30%	Engaged in consumer and auto finance business
Al Kindi Specialised Hospital W.L.L.	Kingdom of Bahrain	25%	25%	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20%	20%	Primarily provides insurance coverage for motor vehicles
Gulf Insurance Company BSC (c) *	Kingdom of Bahrain	17.3%	24.3%	Engaged in conducting training mainly in insurance related subjects
Arabian Shield Cooperative Insurance Company	Kingdom of Saudi Arabia	15%	15%	Transact various types of general insurance business
Bahrain Emirates Insurance Company	Kingdom of Bahrain	-	30%	Voluntary liquidated

All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

* During the year, a new shareholder purchased a 70% stake in Gulf Insurance Institute (GII), infusing fresh funds into the Company for future growth in the GCC. Following this new strategic partnership the Group share in GII is 17.3%.

b) The movements in the investment in associates and joint-venture account are as follows:

	2013	2012
Balance at beginning of the year	11,610	14,009
Proceeds on voluntary liquidation of an associate company	(142)	(2,940)
Payment for acquisition of shares	144	226
Share of profit	677	762
Dividends received	(413)	(450)
Share of investment fair value reserve	125	3
Total (equity method)	**12,001**	11,610
Classification:		
Investments in associates	11,444	11,129
Investment in joint venture	557	481
Total	**12,001**	11,610

(In thousands of Bahraini Dinars)

9 REINSURERS' SHARES OF INSURANCE TECHNICAL RESERVES

	2013	2012
Outstanding claims recoverable from reinsurers (refer note 15)	9,852	7,929
Reinsurers' share of unearned premiums (refer note 16)	4,444	3,605
Total	**14,296**	11,534

As of 31 December 2013, the outstanding claims recoverable from reinsurers are related to a number of reinsurers for whom there is no recent history of default.

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in insurance receivables (Note 4).

10 INVESTMENTS IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2013. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business:

Name of the entity	Country of incorporation	Date of incorporation	Proportion of ownership held by the Group	Proportion of ownership held by the NCI	Principal activities
Bahrain National Insurance Company BSC (c)	Bahrain	30 December 1998	100%	-	Transact various types of general insurance business
Bahrain National Life Assurance Company BSC (c)	Bahrain	4 October 2000	75%	25%	Transact the business of life assurance, medical insurance, retirement planning and savings.

Subsidiaries with material non-controlling interests

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

Bahrain National Life Assurance Company BSC (c)	**2013**	2012
NCI share	**25%**	25%
Cash and cash equivalents	788	2,081
Receivables	1,127	1,742
Reinsurers' share of insurance technical reserves	1,541	616
Investment securities	11,829	9,427
Property and equipment	218	284
Statutory deposits	50	50
Insurance technical reserves	(5,962)	(4,988)
Insurance payables	(1,006)	(532)
Other liabilities	(234)	(307)
Net assets (100%)	**8,351**	8,373
Carrying amount of NCI (25%)	**2,088**	2,093

10 INVESTMENTS IN SUBSIDIARIES (continued)

Bahrain National Life Assurance Company BSC (c)	**2013**	2012
Net premium earned	3,639	4,102
Net claims incurred	(2,760)	(2,919)
Other operating expenses	(988)	(964)
Net commission expenses	(59)	(141)
(Charge) / release from life assurance actuarial reserve	(178)	244
Net investment income	781	526
Policyholder's share of investment income	(279)	(181)
Net profit	**156**	667
NCI's share of profit (25%)	**39**	167
Cash flows from operating activities	522	20
Cash flows used in investing activities	(1,392)	(215)
Cash flows (used in) / from financing activities, before dividends to NCI	(317)	6
Cash flows used in financing activities- cash dividends to NCI	(106)	-
Net decrease in cash and cash equivalents	**(1,293)**	(189)

11 INVESTMENT PROPERTIES

	BNH Headquarter in Seef	**BNH Building in Sanad**	**2013 Total**	2012 Total
Cost				
At 1 January	2,087	2,235	4,322	2,087
Additions	-	83	83	209
Transfers from Property and Equipment	-	-	-	2,026
At 31 December	**2,087**	**2,318**	**4,405**	4,322
Depreciation				
At 1 January	720	-	720	632
Charge for the year	88	92	180	88
At 31 December	**808**	**92**	**900**	720
Net book value at 31 December	**1,279**	**2,226**	**3,505**	3,602
Fair value at 31 December	**4,588**	**2,510**	**7,098**	8,032

Capital commitments as at the reporting date amounted to Nil (2012: BD 83 thousand).

12 PROPERTY AND EQUIPMENT

	Land and building	**Machinery**	**Furniture, equipment & other assets**	**Capital work-in-progress**	**2013 Total**	2012 Total
Cost						
At 1 January	3,205	370	3,163	15	6,753	8,643
Additions	-	-	164	146	310	141
Disposals	-	-	-	-	-	(5)
Transfer to Investment Properties	-	-	-	-	-	(2,026)
Other transfers	-	-	19	(19)	-	-
At 31 December	**3,205**	**370**	**3,346**	**142**	**7,063**	6,753
Depreciation						
At 1 January	965	305	2,257	-	3,527	2,914
Charge for the year	134	37	383	-	554	613
At 31 December	**1,099**	**342**	**2,640**	-	**4,081**	3,527
Net book value	**2,106**	**28**	**706**	**142**	**2,982**	3,226

The total value of land is BD413 thousand which is not subject to depreciation.

(In thousands of Bahraini Dinars)

13 STATUTORY DEPOSITS

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

14 INSURANCE TECHNICAL RESERVES

	2013	2012
Outstanding claims - gross (refer Note 15)	15,161	13,414
Unearned gross premiums (refer Note 16)	10,599	9,815
Life assurance actuarial reserve (refer Note 17)	3,133	2,517
Total	**28,893**	25,746

15 OUTSTANDING CLAIMS

i. Claim Development

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

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

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

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

Insurance claims for general insurance business – Gross

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of ultimate claims costs:										
At end of reporting year	4,664	6,797	10,095	7,693	6,485	5,420	3,883	7,275	**5,550**	57,862
One year later	4,413	7,312	7,775	6,240	9,692	5,950	4,632	**7,512**		53,526
Two year later	4,591	6,836	9,334	6,598	9,658	6,074	**5,140**			48,231
Three year later	4,407	6,824	9,788	6,538	9,399	**6,120**				43,076
Four year later	4,482	7,283	9,656	6,311	**9,573**					37,305
Five year later	4,655	7,338	9,474	**6,382**						27,849
Six year later	4,779	7,254	**9,286**							21,319
Seven year later	4,587	**7,231**								11,818
Eight year later	**4,582**									4,582
Current estimate of cumulative claims **(A)**	4,582	7,231	9,286	6,382	9,573	6,120	5,140	7,512	5,550	61,376
Cumulative payments to date **(B)**	4,452	7,034	9,150	5,619	8,661	4,929	3,651	3,686		47,182
Total (A – B)	**130**	**197**	**136**	**763**	**912**	**1,191**	**1,489**	**3,826**	**5,550**	**14,194**
Reserve in respect of years prior to 2005										376
Total reserve included in the statement of financial position										**14,570**

Insurance claims (gross) for life and medical insurance business amounting to BD 591 thousand are pertaining to 2013.

15 OUTSTANDING CLAIMS (continued)

Insurance claims for general insurance business – Net

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of ultimate claims costs:										
At end of reporting year	2,301	3,321	5,049	4,890	3,908	1,986	1,949	3,409	**2,281**	29,094
One year later	1,585	3,664	2,584	2,707	4,046	2,383	2,259	**3,356**		22,584
Two year later	1,786	3,510	2,884	3,189	3,949	2,465	**2,263**			20,046
Three year later	1,276	3,590	3,394	3,001	3,729	**2,590**				17,580
Four year later	1,607	3,953	3,400	2,808	**3,735**					15,503
Five year later	1,730	4,005	3,126	**2,878**						11,739
Six year later	1,803	3,911	**3,107**							8,821
Seven year later	1,642	**3,888**								5,530
Eight year later	**1,636**									1,636
Current estimate of cumulative claims **(A)**	1,636	3,888	3,107	2,878	3,735	2,590	2,263	3,356	2,281	25,734
Cumulative payments to date **(B)**	1,613	3,806	3,036	2,779	3,507	2,218	1,791	2,146		20,896
Total (A – B)	**23**	**82**	**71**	**99**	**228**	**372**	**472**	**1,210**	**2,281**	**4,838**
Reserve in respect of years prior to 2005										72
Total reserve included in the statement of financial position										**4,910**

Insurance claims (net) for life and medical insurance business amounting to BD 399 thousand are pertaining to 2013.

ii. Changes in insurance assets and liabilities

	2013			2012		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Reported claims	12,974	7,929	5,045	11,680	6,853	4,827
IBNR	440	-	440	440	-	440
Total at beginning of the year	13,414	7,929	5,485	12,120	6,853	5,267
Change in liabilities	19,020	10,013	9,007	18,466	9,390	9,076
Claims settled	(17,273)	(8,090)	(9,183)	(17,172)	(8,314)	(8,858)
Total at end of the year	**15,161**	**9,852**	**5,309**	13,414	7,929	5,485
Reported claims	14,746	9,852	4,894	12,974	7,929	5,045
IBNR	415	-	415	440	-	440
Total at end of the year	**15,161**	**9,852**	**5,309**	13,414	7,929	5,485

iii. Sensitivity analysis

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

	Income Statement & Equity	
General Insurance	**2013**	2012
Expense rate		
1 percent increase	(56)	(59)
1 percent decrease	56	59
Expected loss ratio		
1 percent increase	(90)	(91)
1 percent decrease	90	91

(In thousands of Bahraini Dinars)

15 OUTSTANDING CLAIMS (continued)

	Income Statement & Equity	
Life Assurance	**2013**	2012
Demographic assumptions		
10 percent increase in base mortality and morbidity rates	(41)	(20)
10 percent decrease in base mortality and morbidity rates	41	20
Expense assumptions		
1 percent increase	(5)	(4)
1 percent decrease	5	4
Expected loss ratio		
1 percent increase	(5)	(5)
1 percent decrease	5	5

The Group has certain single insurance contract which it considers as risks of high severity but very low frequency. The Group re-insures substantial part of these risks and its loss on any one single event is limited to a loss of BD 150 thousand whereas in case of marine and motor losses Company's exposure to single event is limited to BD 25 thousand.

iv. Movements in outstanding claims

	Gross outstanding claims		Reinsurers' share		Net outstanding claims	
	2013	2012	**2013**	2012	**2013**	2012
At 1 January	13,414	12,120	7,929	6,853	5,485	5,267
Charge/(release) during the year	1,747	1,294	1,923	1,076	(176)	218
At 31 December	**15,161**	13,414	**9,852**	7,929	**5,309**	5,485

16 UNEARNED PREMIUMS / UNEARNED COMMISSIONS

a) Movements in Unearned premiums

	Unearned Gross Premiums		Reinsurers' share		Net unearned Premiums	
	2013	2012	**2013**	2012	**2013**	2012
At 1 January	9,815	8,547	3,605	2,572	6,210	5,975
Charge/(release) during the year	784	1,268	839	1,033	(55)	235
At 31 December	**10,599**	9,815	**4,444**	3,605	**6,155**	6,210

b) Movements in Net unearned commissions

	Unearned commissions income		Deferred commissions paid		Net unearned commission income	
	2013	2012	**2013**	2012	**2013**	2012
At 1 January	408	475	460	471	(52)	4
Charge/(release) during the year	(44)	(67)	49	(11)	(93)	(56)
At 31 December	**364**	408	**509**	460	**(145)**	(52)

17 LIFE ASSURANCE ACTUARIAL RESERVE AND ACTUARIAL ASSUMPTIONS

Life assurance actuarial reserve	**2013**	2012
Balance at 1 January	2,517	2,673
Transfer of contributions	261	264
Payments of benefits	(102)	(357)
Charge / (release) to income statement	178	(244)
Policyholder's share of net investment income	279	181
Balance at 31 December	**3,133**	2,517
Life assurance actuarial reserve per statement of financial position	**3,133**	2,517
Actuarial estimate of the present value of future benefit obligations at 31 December	**3,133**	2,517

17 LIFE ASSURANCE ACTUARIAL RESERVE AND ACTUARIAL ASSUMPTIONS (continued)

The actuarial estimate has been prepared by independent actuaries, Actuarial Partners Consulting Sdn. Bhd., Malaysia based on 60% (2012: 60%) of the English life Table A4952 at an interest rate of 4.5% (2012: 5%) per annum for all contracts. Allowances have been made for reinsurance, guaranteed bonuses, renewal expenses unexpired risks and contingencies where appropriate.

18 INSURANCE PAYABLES

	2013	2012
Policyholders – Claims	218	316
Insurance and reinsurance companies	4,285	2,983
Total	**4,503**	3,299

19 BANK LOAN

The Company had obtained a secured loan from a Bahraini bank for general corporate purposes. Of the total sanctioned amount of BD 1.50 million, an amount of BD 1.16 million was drawn on December 2012 and the balance of BD 0.34 million has been drawn on January 2013.

The loan amount is secured by a mortgage of the Company's title to its investment property in Sanad. The loan is repayable in 12 quarterly installments over a period of three years commenced from March 2013.

The interest rate on this loan is 2.75% plus bank offered BHIBOR rate.

20 OTHER LIABILITIES

	2013	2012
Premiums received in advance	355	363
Vehicle repairers and spare parts	1,361	1,129
Accrued expenses	110	140
Unclaimed dividends - prior years	186	372
Provision for employees' benefits	553	569
Provision for employees' leaving indemnities	325	444
Other liabilities	647	705
Total	**3,537**	3,722

The movements in the provision account for employee benefits (excluding leaving indemnities) are as follows:

	2013	2012
Balance at beginning of the year	569	591
Paid during the year	(432)	(550)
Additional amount provided during the year	416	528
Balance at end of the year	**553**	569

21 RETIREMENT BENEFITS COST

The Group employed 142 Bahrainis (2012: 154 Bahrainis) and 33 expatriates (2012: 43 expatriates) as at 31 December 2013.

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 2013 amounted to BD 254 thousand (2012: BD 256 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 2013 amounted to BD 86 thousand (2012: BD 80 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 2013 amounted to BD 500 thousand (2012: BD 435 thousand) and is included in the Life assurance actuarial reserve (refer note 17). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (refer note 6).

(In thousands of Bahraini Dinars)

21 RETIREMENT BENEFITS COST (continued)

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

Provision for employees' leaving indemnities

	2013	2012
At beginning of year	444	410
Indemnities and advances paid	(162)	(30)
Charge to income statement	43	64
Balance at end of the year	**325**	444

22 SHARE CAPITAL

		2013		2012	
		Number	Amount	Number	Amount
a)	Authorised: shares of 100 fils each	200,000,000	20,000	200,000,000	20,000
b)	**Issued and fully paid**	113,500,000	11,350	113,500,000	11,350

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.

	2013		2012	
	Number	Amount	Number	Amount
Balance at beginning of year	6,253,816	1,868	6,253,816	1,868
Balance at 31 December	**6,253,816**	**1,868**	6,253,816	1,868

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

	2013	2012
Basic earnings per share – fils	27.8	20.1
Proposed cash dividend – fils	18.0	15.0
Net asset value – fils	422.0	400.0
Stock Exchange price at 31 December – fils	500.0	394.0
Market capitalization at 31 December – in thousands of BD	56,750	44,719
Price/Earnings ratio at 31 December	18.0	19.6

e) Earnings per share

In accordance with IAS 33, the calculation of earnings per share is based on the net profit attributable to the shareholders for the year of BD 2,983 thousand (2012: BD 2,158 thousand), attributable to 107,246,184 (2012: 107,246,184) 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.

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 %
Yousif Abdulla Amin	Bahraini	12,475,180	10.99
National Insurance Company	Iraqi	7,436,890	6.55
Abdulhameed Zainal Mohamed Zainal	Bahraini	6,547,490	5.77
Bahrain National Holding Co. (Treasury shares)	Bahraini	6,253,816	5.51

22 SHARE CAPITAL (continued)

g) 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:

Categories	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	601	50,710,127	44.68
1 % up to less than 5 %	14	30,076,497	26.50
5 % up to less than 10 %	3	20,238,196	17.83
More than 10%	1	12,475,180	10.99
TOTAL	**619**	**113,500,000**	**100.00**

23 RESERVES

a) Statutory reserve:

The Bahrain Commercial Companies Law 2001, 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. The Central Bank of Bahrain and Financial Institutions Law, 2006 which applies to Bahrain National Insurance and Bahrain National Life Assurance Company, requires appropriation, in respect of general and life insurance companies, 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) Share premium:

During the 2005 financial year, the Company issued 20,000,000 shares @ 300 fils (share premium 200 fils) per share on a rights basis. It also includes BD 29 thousand (2012: BD 29 thousand) being the share of the group in the share premium account of an associate.

c) General reserves:

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

d) Investment fair value reserve:

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

24 PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2013	2012
Profit as per statement of profit or loss	3,022	2,325
Net profit attributable to non-controlling interest	(39)	(167)
Net profit attributable to shareholders of parent company	**2,983**	**2,158**
Proposed appropriations:		
Dividend to shareholders	1,930	1,608
Donations	50	50
Retained earnings	1,003	500
	2,983	**2,158**

Proposed director's remuneration is BD 105 thousand (2012: BD 121 thousand). The appropriation of the 2013 profit is subject to approval by shareholders at the annual general meeting.

25 GROSS PREMIUMS

	2013	2012
Gross premiums - Direct Business	22,698	21,056
Gross premiums - Inward Business	2,222	2,252
Total	**24,920**	23,308

(In thousands of Bahraini Dinars)

26 NET COMMISSIONS INCOME

	2013	2012
Commission income	1,741	1,638
Commission expenses	(1,247)	(1,159)
Net commission income	**494**	479

27 NET INVESTMENT INCOME FROM PORTFOLIO

	2013	2012
Profit on disposal of securities	294	76
Transfer from other comprehensive income on disposal of securities	734	189
Valuation gains	309	65
Foreign exchange (losses) / gains	(16)	1
Amortisation of premiums on held-to-maturity securities	(57)	(4)
Interest income	987	862
Dividend income	529	508
Other income	5	38
Gross investment income	**2,785**	1,735
Provision for impairment on investment	(185)	(148)
Investment administration expenses	(106)	(101)
Total net investment income per income statement	**2,494**	1,486
Gross investment income by segment		
Shares in Bahraini public companies	379	374
Other equities	1,227	243
Government and other bonds	688	687
Managed funds	260	228
Cash and short-term deposits	226	165
Miscellaneous Income	5	38
Gross investment income	**2,785**	1,735

28 INCOME FROM INVESTMENT PROPERTIES

	2013	2012
Rental income	383	291
Depreciation charges	(180)	(88)
Buildings maintenance expenses	(75)	(69)
Total net income per income statement	**128**	134

29 EXPENSES

a) **Other operating expenses:**	2013	2012
Employee costs	1,913	2,200
Depreciation	264	332
Other costs	1,216	1,147
Service fees charged	983	852
Total	**4,376**	4,531

b) **Corporate and financial expenses:**		
Employee costs	1,466	1,280
Depreciation	290	281
Finance costs	52	-
Other costs	439	652
Service fees recovered	(983)	(852)
Total	**1,264**	1,361

30 SEGMENTAL INFORMATION

For operational and management reporting purposes, the Company is organised into three business segments: "Motor & General Insurance segment", "Life Assurance & Medical segment" and "corporate segment".

The Motor & General Insurance segment comprises motor, property, general accidents, engineering, marine & aviation.

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

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

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

31 December 2013	Motor & General Insurance	Life Assurance and Medical	Corporate	Total
Gross premiums	**18,441**	**6,479**	**-**	**24,920**
Net premiums earned	**10,694**	**3,639**	**-**	**14,333**
Net claims incurred	(6,247)	(2,760)	-	(9,007)
Operating expenses	(3,388)	(988)	-	(4,376)
Net commission income/(expenses)	553	(59)	-	494
Charge from life actuarial reserve	-	(178)	-	(178)
Underwriting profits	**1,612**	**(346)**	**-**	**1,266**
Net investment income from portfolio	1,710	781	3	2,494
Policyholder's share of investment income	-	(279)	-	(279)
Share of profit of equity accounted investees	184	-	493	677
Net income from investment properties	-	-	128	128
Corporate expenses	-	-	(1,264)	(1,264)
Segment Results	**3,506**	**156**	**(640)**	**3,022**
Cash and Cash equivalents	9,147	788	487	10,422
Receivables	5,627	1,127	180	6,934
Reinsurers' share of technical reserves	12,755	1,541	-	14,296
Net deferred acquisition cost	155	(10)	-	145
Investment securities	20,947	11,829	3	32,779
Equity accounted investees	1,037	-	10,964	12,001
Investment properties	-	-	3,505	3,505
Property and equipment	498	218	2,266	2,982
Statutory deposits	75	50	-	125
Total Assets	**50,241**	**15,543**	**17,405**	**83,189**
Insurance technical reserves	22,941	5,952	-	28,893
Insurance payables	3,497	1,006	-	4,503
Bank loan	-	-	1,000	1,000
Other liabilities	2,183	234	1,120	3,537
Total Liabilities	**28,621**	**7,192**	**2,120**	**37,933**

(In thousands of Bahraini Dinars)

30 SEGMENTAL INFORMATION (continued)

31 December 2012	Motor & General Insurance	Life Assurance and Medical	Corporate	Total
Gross premiums	17,154	6,154	-	23,308
Net premiums earned	10,267	4,102	-	14,369
Net claims incurred	(6,157)	(2,919)	-	(9,076)
Operating expenses	(3,567)	(964)	-	(4,531)
Net commission income/(expenses)	620	(141)	-	479
Release from life actuarial reserve	-	244	-	244
Underwriting profits	1,163	322	-	1,485
Net investment income from portfolio	867	526	93	1,486
Policyholder's share of investment income	-	(181)	-	(181)
Share of profit of equity accounted investees	190	-	572	762
Net income from investment properties	-	-	134	134
Corporate expenses	-	-	(1,361)	(1,361)
Segment Results	2,220	667	(562)	2,325
Cash and Cash equivalents	9,232	2,081	474	11,787
Receivables	4,593	1,742	65	6,400
Reinsurers' share of technical reserves	10,918	616	-	11,534
Investment securities	19,022	9,427	5	28,454
Net deferred acquisition cost	64	(12)	-	52
Equity accounted investees	941	-	10,669	11,610
Investment properties	-	-	3,602	3,602
Property and equipment	407	284	2,535	3,226
Statutory deposits	75	50	-	125
Total Assets	45,252	14,188	17,350	76,790
Insurance technical reserves	20,770	4,976	-	25,746
Insurance payables	2,767	532	-	3,299
Bank loan	-	-	1,160	1,160
Other liabilities	2,162	307	1,253	3,722
Total Liabilities	25,699	5,815	2,413	33,927

Geographical information

31 December 2013	**Bahrain**	**GCC**	**Other Countries**	**Total**
Gross premiums	22,906	1,887	127	**24,920**
Non-current assets	22,088	10,746	12,287	**45,121**
31 December 2012				
Gross premiums	21,361	1,794	153	23,308
Non-current assets	20,230	12,096	10,675	43,001

The gross premiums information is based on the locations of the customers.

Non-current assets for this purpose consist of investment securities which are intended to be held for more than one year, investment in associates and joint-venture, investment properties, property and equipment and statutory deposits.

31 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) INSURANCE RISK MANAGEMENT

The activity of the insurance company 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 Company faces in writing a portfolio of insurance contracts are the frequency of occurrence of the insured events and the severity of resulting claims. The Company's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Company's balance sheet 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 company 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 company reviews the actuarial technical funds required to meet any of the future liabilities that can arise out of these contracts.

The Company 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 if and 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 Company 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 Company is also guided by a strict retention policy adopted by the company. Any claim will be recovered in the same proportion. Furthermore the company 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 Company is not dependent on a single reinsurer or a reinsurance contract. The Company 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 Company 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 Company has reinsurance arrangements, it does not, however, discharge the Company'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 Company 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. This review is performed by the Risk Management Committee which also monitors extent of single exposures.

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.

(In thousands of Bahraini Dinars)

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

iii. Risk exposure and concentration of insurance risk

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

31 December 2013	General Insurance	Life Assurance	Total
Geographical area			
Bahrain			
Gross	20,983	1,923	22,906
Retained	13,199	945	14,144
Other countries			
Gross	2,014	-	2,014
Retained	189	-	189
Total			
Gross	**22,997**	**1,923**	**24,920**
Retained	**13,388**	**945**	**14,333**

31 December 2012			
Geographical area			
Bahrain			
Gross	19,254	2,107	21,361
Retained	13,161	1,222	14,383
Other countries			
Gross	1,931	16	1,947
Retained	212	9	221
Total			
Gross	21,185	2,123	23,308
Retained	13,373	1,231	14,604

b) CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor 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 minority interests.

The Group's objectives for managing capital are:

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

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

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

The Group has this year introduced 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.

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

c) FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

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

i. Credit risk

Credit risk is the risk that one party to an insurance contract 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 as a part of its insurance operations are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

To control the credit risk, the Group compiles group-wide data on receivables.

Group cash is largely placed with national and international banks. Credit risk on receivables is limited to local policyholders, which are carried, net of provision for bad and doubtful receivables, and to insurance and reinsurance companies, local and foreign. 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 investments is managed by the Group by monitoring credit exposures and continually assessing the creditworthiness of counterparties.

Management of credit risk

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

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

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

(In thousands of Bahraini Dinars)

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

Overall exposure to credit risk

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

Financial assets	2013	2012
Receivables:		
Policyholders	2,333	2,701
Insurance and reinsurance companies	3,520	2,814
Others	866	724
Investment securities:		
Securities carried at fair value through profit or loss	118	119
Available for sale securities	3,865	2,386
Held to maturity securities	8,448	9,640
Cash and cash equivalents	10,422	11,787
Statutory deposits	125	125
Total	**29,697**	30,296

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

Concentrations of credit risk

The Group monitors concentrations of exposures by industry sector and geographic location of the counterparty as well as by individual counterparties. Counterparty concentration occurs mainly because of the investment management accounts maintained with the various investment bankers. Geographical concentrations at the reporting date have been presented in note 33. 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:

	2013	2012
BMI Bank	2,750	3,016
Ahli United Bank	2,486	4,027
United bank Limited	1,758	1,936
Al-Salam Bank	1,134	-
National Bank of Bahrain	662	1,083

Assets that are past due

The Group has insurance and other receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). The Group believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Group. An age analysis of the carrying amounts of these insurance and other receivables is presented below:

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		
31 December 2013	**Less than 90 days**	**91-180 days**	**More than 180 days**	**Gross Amount**	**Provision for impairment**	**Total**
Receivables:						
- Policyholders	1,364	559	410	275	(275)	2,333
- Insurance and Reinsurance companies	1,204	721	1,595	39	(39)	3,520
- Others	866	-	-	-	-	866
Total	**3,434**	**1,280**	**2,005**	**314**	**(314)**	**6,719**

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

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		
31 December 2012	Less than 90 days	91–180 days	More than 180 days	Gross Amount	Provision for impairment	Total
Receivables:						
- Policyholders	1,382	896	423	256	(256)	2,701
- Insurance and Reinsurance companies	1,230	787	797	39	(39)	2,814
- Others	724	-	-	-	-	724
Total	3,336	1,683	1,220	295	(295)	6,400

ii. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter financial difficulty in raising funds to meet commitments associated with financial instruments and insurance obligations. 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 daily basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Group does not normally resort to borrowings but, given its gearing, has the ability to raise funds from banks at short notice. The maturity profile of the Group's investments is set out in note 32.

Management of liquidity risk

The Group limits liquidity risks by continually reconciling the cash flows and assets of the Group with payment of liabilities. Methodologies adopted for Group assets and liabilities valuation have been discussed and disclosed earlier in significant accounting policies. 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 minimum funds required to meet such calls and on the minimum level of overdraft facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

- Budgets are prepared annually and revised as required to predict cash inflows and outflows from insurance and investment contracts over the short, medium and long term.
- The Group purchases assets taking into consideration its insurance and investment contracts.
- Assets purchased by the Group are required to satisfy specified marketability limits set by the Board.
- The Group maintains cash and liquid assets to meet daily calls on its insurance and investment contracts.

Exposure to liquidity risk

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

31 December 2013	Contractual undiscounted cash flows				
Financial liabilities	**Carrying amount**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Policyholders' liabilities	218	218	-	-	-
Insurance/reinsurance companies	4,285	4,285	-	-	-
Other payables	3,212	3,212	-	-	-
Bank Loan	1,000	500	500	-	-

31 December 2012	Contractual undiscounted cash flows				
Financial liabilities	Carrying amount	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
Policyholders' liabilities	316	316	-	-	-
Insurance/reinsurance companies	2,983	2,983	-	-	-
Other payables	2,641	2,641	-	-	-
Bank Loan	1,160	387	387	386	-

(In thousands of Bahraini Dinars)

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

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 33.

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 Executive Committee monitors the asset allocation and investment performance. This committee was established by the Board of Directors and consists of both executive and non-executive members. The Committee reports regularly to the Board of Directors on its activities.

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 other bonds consists of both fixed and floating rate instruments. The effective interest rates on deposits and bonds are set out in note 7.

The Group's bank loan has floating interest rate with 2.75% plus offered BHIBOR rate which is offered by the bank.

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 Company 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 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 of investments, expressed in the equivalent of Bahraini dinars (excluding short-term deposits and assets and liabilities arising from insurance contracts) is summarised below:

Net currency-wise concentration in thousands of Bahraini dinar equivalents

Financial Assets	**2013**	2012
Euros	336	183
Pounds sterling *	614	144
Other currencies	183	107
Total open foreign exchange position at 31 December	**1,133**	434
United States dollars	25,233	23,639
GCC Currencies	9,181	8,579
Bahraini dinars	26,499	25,563
Total at 31 December	**62,046**	58,215

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

Financial Assets	2013	2012
This comprises:		
Securities carried at fair value through profit or loss	2,522	2,346
Available-for-sale securities	21,809	16,468
Held-to-maturity securities	8,448	9,640
Investment in associates	12,001	11,610
Cash and Bank balances	10,422	11,787
Statutory deposits	125	125
Receivables:		
Policyholders	2,333	2,701
Insurance and reinsurance companies	3,520	2,814
Others	866	724
Total	**62,046**	58,215

Financial Liabilities	2013	2012
United States dollars	1,029	435
GCC Currencies	206	168
Bahraini dinars	18,015	16,312
Other currencies	64	-
Total at 31 December	**19,314**	16,915
This comprises:		
Payables		
Policyholders Liabilities	218	316
Insurance/reinsurance companies payables	4,285	2,983
Unearned premiums	10,599	9,815
Other payables	3,212	2,641
Bank loan	1,000	1,160
Total	**19,314**	16,915

* This exposure is hedged using a forward contract till maturity of the undergoing investments.

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

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

Sensitivity analysis to market risks

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

	2013		2012	
31 December	Income statement	Equity	Income statement	Equity
Interest rate risk				
+ 1 percent shift in yield curves	4	169	5	97
- 1 percent shift in yield curves	(4)	(169)	(5)	(97)
Equity price risk				
+1 percent increases in equity prices	10	98	9	86
-1 percent decrease in equity prices	(10)	(98)	(9)	(86)

(In thousands of Bahraini Dinars)

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

Sensitivity analysis – currency risk

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

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

	2013		2012	
Receivables, Investments & Cash	**Income Statement**	**Equity**	Income Statement	Equity
US Dollars	104	133	141	94
Euro	-	3	-	1
Pounds Sterling	-	6	-	1
GCC currencies	61	24	55	25
Other currencies	(1)	1	-	68

32 Maturity profile of investments

	Less than 1 year	1-5 years	5-10 years	Over 10 years / no maturity	Total 2013	Total 2012
Equities	-	-	-	9,678	9,678	8,439
Government bonds	1,071	1,483	985	-	3,539	3,138
Other bonds	2,678	4,683	1,413	-	8,774	8,888
Managed funds	-	-	-	8,065	8,065	5,300
Unquoted equities & funds	-	-	-	201	201	343
Investment in associates	-	-	-	12,001	12,001	11,610
Total	**3,749**	**6,166**	**2,398**	**29,945**	**42,258**	37,718
2012	1,521	8,500	2,005	25,692		37,718
This balance comprises:						
Available-for-sale securities					21,809	16,468
Held-to-maturity securities					8,448	9,640
Investment in associates					12,001	11,610
Total					**42,258**	37,718

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

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

33 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2013	2012
Bahrain	17,627	14,999
Other GCC countries	12,903	12,538
Japan and Korea	470	617
Other Asia/Oceania	750	885
Europe	3,026	2,248
North America	5,929	5,386
Global/multi-regional	4,075	3,391
Total	**44,780**	40,064

33 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS (continued)

This comprises

	2013	2012
Securities carried at fair value through profit or loss	2,522	2,346
Available-for-sale securities	21,809	16,468
Held-to-maturity securities	8,448	9,640
Investment in associates	12,001	11,610
Total	**44,780**	40,064

34 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 companies in which the Directors are interested.

Transactions with associates and joint-venture companies, companies owned and controlled by the Directors are conducted on a normal commercial basis.

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

		2013	2012
a)	**Assets**		
	Receivables from companies in which directors are interested	410	1,051
	Receivables from associates	232	172
b)	**Liabilities - payables**		
	Payables to companies in which directors are interested	715	545
	Payables to associates and joint-venture	61	60
c)	**Income and expenses**		
	Gross premiums	2,312	1,701
	Premiums ceded	320	335
	Claims	1,302	141
	Other income	14	18

d) **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:

	2013	2012
Salaries and benefits	636	524
Terminal benefits	138	93
Post-employment benefits	65	58
Board remuneration	121	121
Board committee sitting fees	50	56

35 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The table below sets out the group's classification of each class of financial assets and liabilities, and their fair values.

(In thousands of Bahraini Dinars)

35 FAIR VALUE MEASUREMENT (continued)

2013	Fair value through the income statement	Available-for- sale	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	10,422	10,422	10,422
Receivables	-	-	-	6,719	6,719	6,719
Investment securities	2,522	21,809	8,448	-	32,779	33,224
Total financial assets	**2,522**	**21,809**	**8,448**	**17,141**	**49,920**	**50,365**
Bank loan	-	-	-	1,000	1,000	1,000
Insurance payables	-	-	-	4,503	4,503	4,503
Other liabilities	-	-	-	3,212	3,212	3,212
Total financial liabilities	**-**	**-**	**-**	**8,715**	**8,715**	**8,715**

2012	Fair value through the income statement	Available-for- sale	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	11,787	11,787	11,787
Receivables	-	-	-	6,388	6,388	6,388
Investment securities	2,346	16,468	9,640	-	28,454	29,149
Total financial assets	2,346	16,468	9,640	18,175	46,629	47,324
Bank loan	-	-	-	1,160	1,160	1,160
Insurance payables	-	-	-	3,299	3,299	3,299
Other liabilities	-	-	-	2,641	2,641	2,641
Total financial liabilities	-	-	-	7,100	7,100	7,100

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 judgement 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). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3 :** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

2013	Level 1	Level 2	Level 3	Total	Carrying Value
Securities carried at fair value through profit or loss	2,522	-	-	2,522	2,522
Available-for-sale investments	21,608	-	-	21,608	21,608
Total	**24,130**	**-**	**-**	**24,130**	**24,130**

35 FAIR VALUE MEASUREMENT (continued)

2012	Level 1	Level 2	Level 3	Total	Carrying Value
Securities carried at fair value through profit or loss	2,346	-	-	2,346	2,346
Available-for-sale investments	16,125	-	-	16,125	16,125
Total	18,471	-	-	18,471	18,471

The fair value of other assets and liabilities approximate the carrying value at the reporting date.

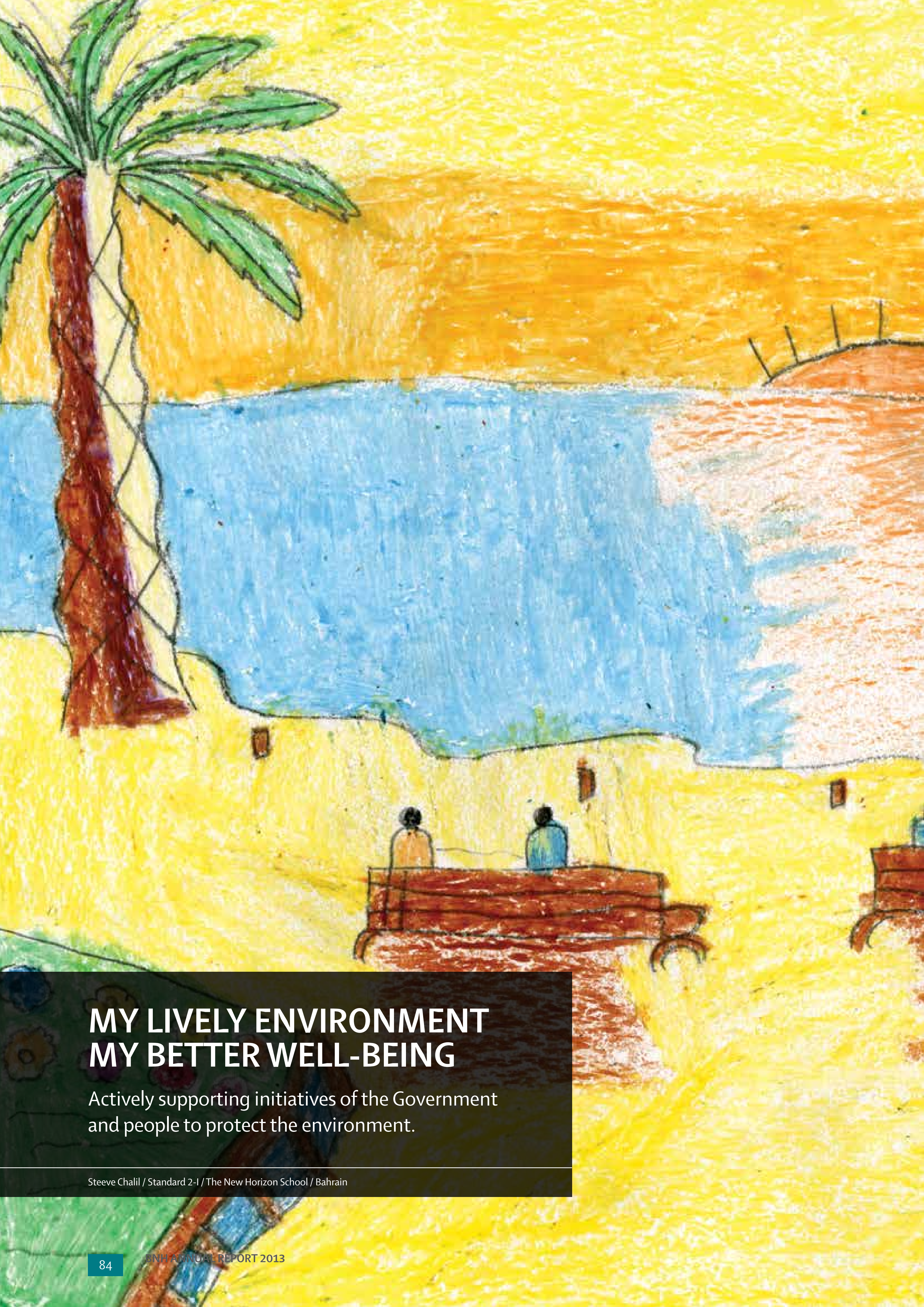
36 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2013, the Group has commitments to make investments amounting to BD 406 thousand (2012: BD 160 thousand).

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

37 COMPARATIVES

Certain corresponding figures of 2012 have been reclassified where necessary to conform to the current year's presentation. Such reclassification did not affect previously reported total assets, total liabilities, equity, profit or comprehensive income.



MY LIVELY ENVIRONMENT MY BETTER WELL-BEING

Actively supporting initiatives of the Government and people to protect the environment.

Steeve Chalil / Standard 2-I / The New Horizon School / Bahrain