Ready for Tomorrow...

Annual Report 2015

BNH

Protecting Prosperity™

Setting Sights on the Future

There are no challenges that cannot be overcome without the right preparation and groundwork, and no hardships without their lessons. BNH is ready to face whatever hurdles the coming year will bring with commitment and determination.

Drawing inspiration from its more than 40-year history, BNH is confident that it has the financial strength and experience it needs to weather the anticipated changes the global economy is about to face.

Setting its sights on the future, BNH continues to remain true to its core values, pledging to provide the highest quality services, and to maintain its position as an insurance industry leader and pioneer.

His Royal Highness
Prince Khalifa Bin Salman Al Khalifa
The Prime Minister

His Royal 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
First Deputy Prime Minister

Table of Contents

A Rich Heritage… A Bright Future

Group Overview

Bahrain National Holding B.S.C. (BNH) is the premier Bahraini insurance group, offering a comprehensive range of insurance and risk management solutions. Established in 1998 through a merger between Bahrain Insurance Company and National Insurance Company, our heritage in the industry dates back to 1969. Over the years, we have earned a formidable reputation for the quality and excellence of our services and are today a household name in the Kingdom of Bahrain.

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

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

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

***A Rich Heritage... A Bright Future**

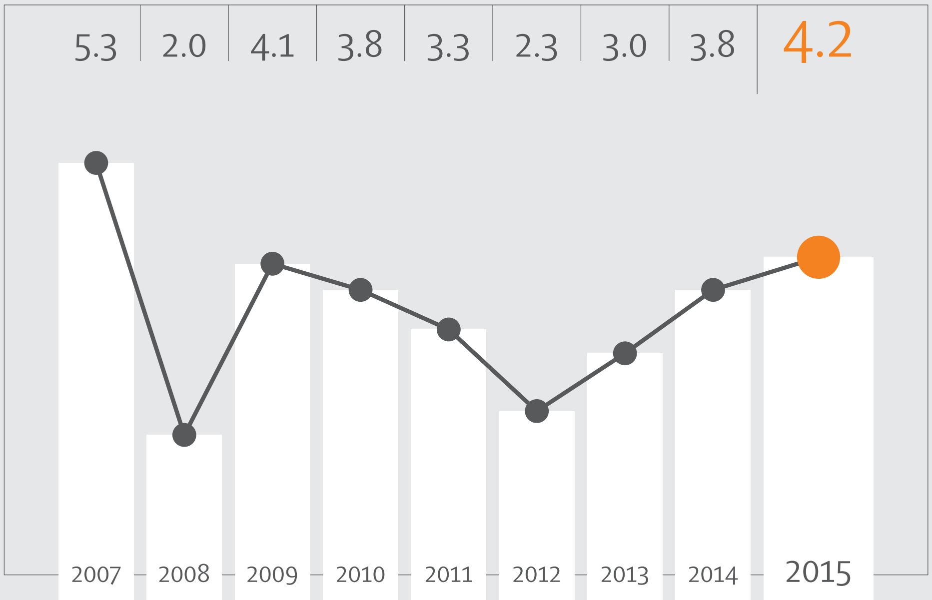
Gaining the satisfaction and trust of our customers and shareholders is our most important goal.

Financial Highlights

(2007-2015)

Net Profit

(BHD Millions)



2015

Our Best Result since 2007

The group achieved the highest net profit since the global financial crisis in 2008. The profit has been on a steady uptrend since 2012.

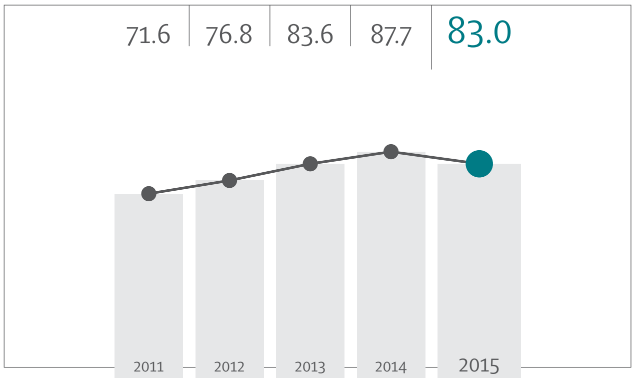
BNH Financial Highlights from 2007 – 2015

(BHD Millions)

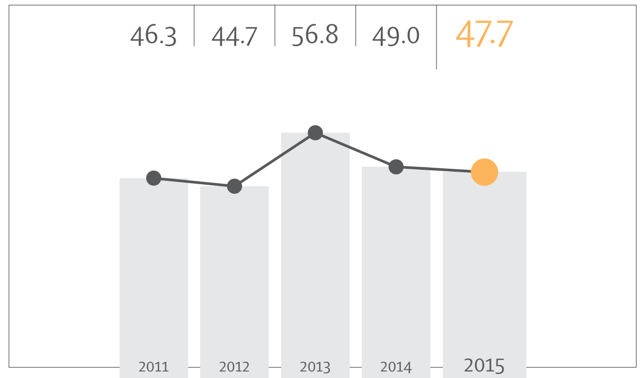
	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Net Profit	5.3	2.0	4.1	3.8	3.3	2.3	3.0	3.8	**4.2**
Total Assets	77.7	73.1	73.6	74.1	71.6	76.8	83.6	87.7	83.0
Market Capitalisation	54.9	59.0	52.9	46.1	46.3	44.7	56.8	49.0	47.8
Total Equity	41.0	37.2	40.2	42.2	42.2	42.9	45.3	47.8	47.7
Gross Premiums	27.5	28.0	24.7	23.1	21.9	23.3	24.9	25.7	28.4
Net Earned Premiums	12.2	12.9	13.4	13.6	13.4	14.3	14.3	13.7	14.8
Earning Per Share (BHD Fils)	48.1	19.0	36.9	34.7	29.2	20.1	27.8	33.6	37.8

Financial Highlights
continued

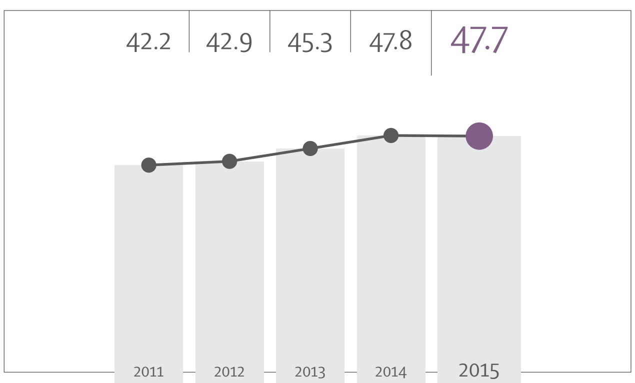
Total Assets
(BHD Millions)



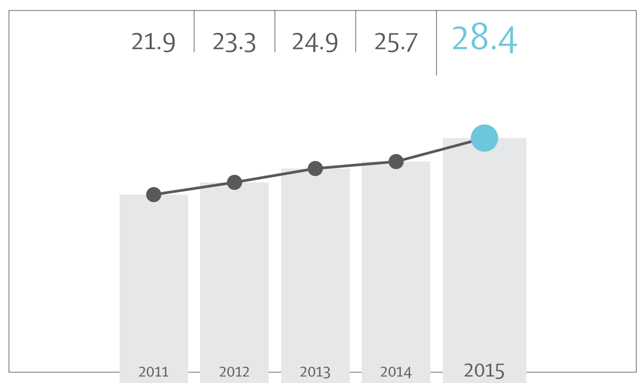
Market Capitalisation
(BHD Millions)



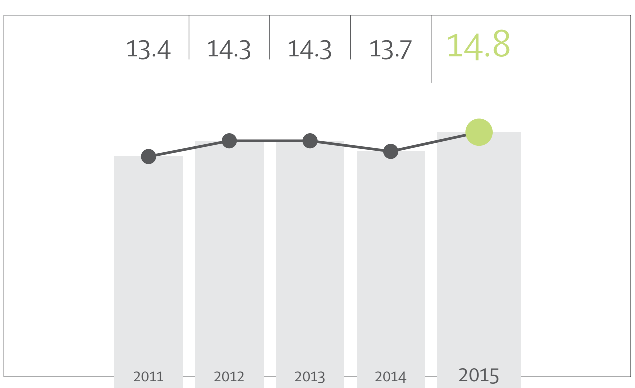
Total Equity
(BHD Millions)



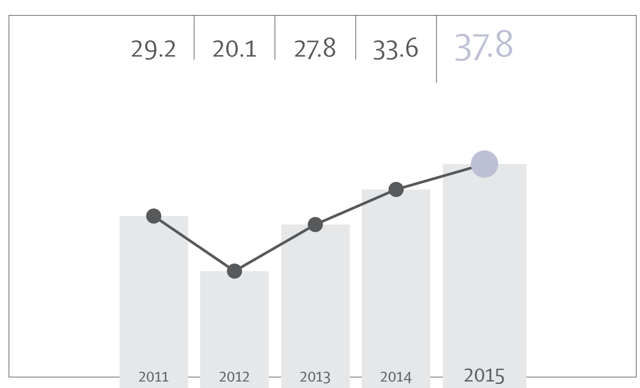
Gross Premiums
(BHD Millions)



Net Earned Premiums
(BHD Millions)



Earning Per Share
(BHD Fils)



Board of Directors

Farouk Yusuf Almoayyed
Chairman

Nationality: Bahraini
Non-executive director
Board Member since 2008

Chairman of the Nomination, Remuneration and Corporate Governance Committee

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

Director:
- Investcorp Bank BSC, Bahrain

Abdulhussain Khalil Dawani
Vice Chairman

Nationality: Bahraini
Non-executive director
Board Member since 1999

Vice Chairman of Nomination, Remuneration and Corporate Governance Committee, Chairman of Bahrain National Insurance Company BSC (c)

Chairman:
- Deeko, Bahrain
- Dawanco, Bahrain
- Dawanco Industries, Bahrain
- Tomina Trading, Bahrain
- Bahrain Foundation Construction Company, Bahrain
- Al Jazira Group, Bahrain
- American Cultural & Educational Centre, Bahrain

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

Abdulrahman Mohamed Juma

Nationality: Bahraini
Non-executive director
Board Member since 1999

Member of the Audit, Compliance & Risk Committee; Chairman of Bahrain National Life Assurance Company BSC (c)

President:
- Abdulrahman bin Mohamed Juma & Sons, Bahrain

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

Vice Chairman:
- Prudent, Saudi Arabia

Redha Abdulla Faraj

Nationality: Bahraini
Independent non-executive director
Board Member since 2014

Chairman of Audit, Compliance and Risk Committee; Member of Nomination, Remuneration and Corporate Governance Committee; Director and Chairman of Audit, Compliance and Risk Committee of Bahrain National Insurance Company BSC (c); Director and Chairman of Audit, Compliance and Risk Committee of Bahrain National Life Assurance Company BSC (c)

Member of:
- Shura Council, Bahrain

Director:
- Bahrain Maritime and Mercantile Company (BMMI), Bahrain
- Almoayyed International Group, Bahrain
- Y. K. Almoayyed & Sons, Bahrain
- Almoayyed Contracting Group, Bahrain
- Mumtalakat, Bahrain

Founder:
- Al Faraj Consulting WLL, Bahrain
- Al Faraj Horizon Developments Company WLL, Bahrain

Ali Hasan Mahmood

Nationality: Bahraini
Non-executive director
Board Member since 1999 and re-elected in 2011

Member of the Audit, Compliance & Risk Committee

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

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

Managing Director:
- Al Jazeera Shipping Company WLL, Bahrain

Ayad Saad Khalifa Algosaibi

Nationality: Bahraini
Independent non-executive director
Board Member since 2008

Vice Chairman of the Audit, Compliance & Risk Committee; Director and Vice Chairman of Audit, Compliance and Risk Committee of Bahrain National Insurance Company BSC (c); Director and Vice Chairman of Audit, Compliance and Risk Committee of Bahrain National Life Assurance Company BSC (c); Director of iAssist Middle East WLL

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

Ghassan Qassim Fakhroo

Nationality: Bahraini
Non-executive director
Board Member since 2008

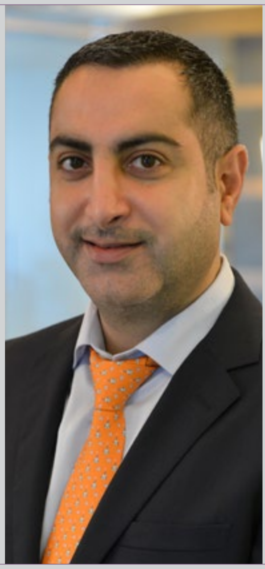
Chairman of the Executive and Investment Committee; Vice Chairman of Bahrain National Insurance Company BSC (c)

Chief Executive:
- Mohamed Fakhroo & Bros., Bahrain

Managing Director and Partner:
- Fakhroo Information Technology Services, Bahrain

Director and Partner:
- Qassim Mohamed Fakhroo & Sons, Bahrain

Board member:
- Alkindi Specialized Hospital, Bahrain
- National Institute for Industrial Training, Bahrain



Jehad Yusuf Amin

Nationality: Bahraini
Non-executive director
Board Member since 1999

Member of Executive and Investment Committee, Member of Nomination, Remuneration and Corporate Governance Committee, Director and Member of Executive and Investment Committee of Bahrain National Insurance Company BSC (c)

Vice Chairman:
- Banader Hotel Company, Bahrain
- General Poultry Company, Bahrain

Director and Member of the Audit and Metro/Market Committee:
- 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 Investment Committee:
- United Insurance Company, Bahrain

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

Sami Mohamed Zainal

Nationality: Bahraini
Non-executive director
Board Member since 2008

Member of the Executive and Investment Committee; Director and member of Audit, Compliance and Risk Committee; Member of Executive and Investment Committee of Bahrain National Insurance Company BSC (c); Chairman of iAssist Middle East WLL

Chairman:
- Arbitration & Trade Dispute Committee - Bahrain Chamber of Commerce & Industry

Director:
- General Poultry Company, Bahrain
- GCC Commercial Arbitration Center, Bahrain
- Zainal Enterprises, Bahrain
- Tony Luke's, Bahrain
- Life Marketing SPC, Bahrain

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

Member:
- Joint Committee with Custom Affairs - Bahrain Chamber of Commerce & Industry

Talal Fuad Kanoo

Nationality: Bahraini
Non-executive director
Board Member since 2008

Member of the Executive and Investment Committee

Director:
- National Finance House BSC (c), Bahrain
- E. K. Kanoo BSC (c) Corporate Services, Bahrain
- Motor City, Bahrain

Chairman:
- Al Ahli Club, Bahrain

Farouk Yusuf Almoayyed
Chairman of the Board

On behalf of the Board of Directors, I am pleased to present to you the annual report on Bahrain National Holding B.S.C. (BNH) for the year ended 31st December 2015.

Chairman's Statement

The year 2015 was unusual, in that we entered the year expecting many economic and security challenges. Despite the difficulties, BNH managed to remain profitable, achieving significant growth in its core insurance and related businesses and registering the best results since 2007.

There was a slight decrease in the net underwriting profit which can be primarily attributed to two factors. The first was the issuance of Law (61) on the Motor Vehicle Accident Fund, which came into effect on 10th October, 2014, and required that 1% a percent of the Group's motor gross premiums to be allocated towards that Fund. Second, was the conservative reserving policy for unreported claims. Gross insurance premiums registered an increase of 10.4%, while the net underwriting profit was down 3.5%, from BD2.4 million in 2014 to BD2.3 million in 2015.

Meanwhile, net investment income registered a 14% decrease from BD2.4 million in 2014 to BD2.1 million due to difficult investment market conditions, but was offset by positive results from our associate companies, which saw their combined profits soar from BD1 million in 2014 to BD1.5 million in 2015, an impressive 53% growth. This was a major contributor to the net profit, helping it jump 10%, from BD3.8 million in 2014 to BD4.2 million in 2015, our best result since 2007.

Total shareholders' equity remained stable while basic earnings per shareholder rose from 33.6 fils in 2014 to 37.8 fils in 2015.

Economic indicators for 2016 point toward further challenges, foremost among them the drop in oil prices to levels well below those considered by the government while preparing the budget. Since the Kingdom's budget relies primarily on revenue from oil and its derivatives, this has forced a cut-back in expenditure and a slowdown in the implementation of public projects, reflecting negatively on some insurance categories. This decline may lead to stronger competition, as companies in the sector look for ways to maintain their annual revenue streams. Our policy, however, will be to continue to focus on offering unique products and services which add value to what is available in the market. Gaining the satisfaction and trust of our customers and shareholders is our most important goal and we will continue working towards strengthening and growing that trust.

On behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prime Minister Prince Khalifa bin Salman Al Khalifa, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, for their wise leadership and support of the Kingdom's financial sector.

I also extend my thanks to all the ministries, institutions, and government agencies, especially the Ministry of Industry and Commerce, the Central Bank of Bahrain, the Ministry of Finance, and the Bahrain Bourse, for their guidance and continuous support for the financial sector, and the insurance industry in particular.

Lastly, I would like to take this opportunity to thank all our shareholders, customers and business partners for their continuous trust and loyalty, and also the members of the Board of Directors, the Executive Management and all employees for their continued efforts and dedication during 2015.

Farouk Yusuf Almoayyed
Chairman of the Board

Executive Management

Sameer Ebrahim AlWazzan
Chief Executive

Bahrain National Holding

Mr. AlWazzan, who joined BNH in January 2014, is an internationally recognised veteran of the insurance industry with over 34 years of experience, including senior management roles as CEO of Al Khazna Insurance Company, CEO of Solidarity Group, General Manager of Bahrain Kuwait Insurance Company, General Manager of UNITAG Group and General Manager of National Insurance Company. From 1971 to 1982, he worked as an engineer at the Instrument Department of Bahrain Petroleum Company (BAPCO). Mr. AlWazzan studied management at renowned institutions including Stanford University, California, USA, Manchester Business School, UK, the University of Bahrain, Swansea Polytechnic, UK and Hudersfield Polytechnic, UK.

Board Member

- United Insurance Company
- National Finance House
- Al Kindi Specialised Hospital
- iAssist Middle East
- Arabian Shield Cooperative Insurance Company (KSA)
- Doha Bank Assurance Company (Qatar)
- Bahrain Insurance Association (BIA)

Member

- Central Bank of Bahrain (CBB) Motor Accident Compensation Fund
- Bahrain Chamber of Commerce & Industry's Banking & Insurance Sectors committee
- Bahrain Chamber of Commerce & Industry Legal & Arbitration committee

Anand Subramaniam
Chief Financial Officer

Bahrain National Holding

Holding his current position since 2010, Mr. Subramaniam is a Chartered Financial Analyst, certified by the CFA Institute, USA and an MBA and BBA from Sardar Patel University, Gujarat, India. He also holds a Chartered Alternative Investment Analyst designation from the CAIA Association, USA. Mr. Subramaniam has over 20 years of experience in the field of investments and asset management, and was previously 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. Mr. Subramaniam started his career as an equity researcher in India focusing on the IT, banking and cement sectors.

Mohamed Kadhim
Assistant General Manager, Legal & Compliance

Bahrain National Holding

Joining BNH in 1978, Mr. Kadhim is an experience lawyer with a background in insurance, management, personal development, corporate governance, money laundering and leadership. He was the Assistant General Manager – Legal, Personnel & Training at BNH between 2003 and 2007 and before that Assistant General Manager of bni Motor until 2003. His membership of Professional bodies include being Secretary and then Chairman of the Motor Committee and Director for Legal and Association Affairs, both at Bahrain Insurance Association (BIA).

Joseph Rizzo
General Manager

Bahrain National Insurance

An Associate of the Chartered Insurance Institute and a Chartered Insurer with more than 30 years of experience in insurance and reinsurance, Mr. Rizzo joined bni in September 2007, initially as a General Manager for corporate insurance accounts. He has now taken over the responsibility for the entire bni operation. He was a member of the Board and the Executive Committee of Arabian Shield Insurance Company in Saudi Arabia and was on the board of bnl in Bahrain. His previous position was that of General Manager at a leading listed insurance company in Malta Middlesea Insurance Company Limited (now Middlesea Mapfre), serving on many boards of subsidiary companies and market associations. Mr. Rizzo has experience in several insurance markets, including London, Malta, Gibraltar and the GCC, mainly leading underwriting teams and developing portfolios.

Sahar Al Ajjawi
General Manager

Bahrain National Life Assurance

Joining bnl in 2013 as an Assistant General Manager, Ms. Al Ajjawi holds an MBA from Bahrain University and an ACII from the Chartered Insurance Institute. She has worked in the medical and life insurance fields since 1997. Prior to joining bnl, Ms. Al Ajjawi was Senior Manager, Life & Medical at Al Ahlia Insurance company and Deputy Manager, Medical at Arab Insurance Group (ARIG).

Masood Bader
Deputy General Manager

Bahrain National Insurance

Coming to bni in 2010, Mr. Bader has 23 years of insurance and reinsurance experience. An accounting graduate, he started his career as claim assistant with Arab Insurance Group (ARIG) and worked his way up to executive manager in charge of an international marine and energy portfolio. In the six years prior to joining bni, he worked as an insurance and reinsurance broker, first for Arthur J. Gallagher Middle East as regional director, and then for AON Middle East as Vice President.

Dilip Sinha
Assistant General Manager

Bahrain National Insurance

Joining BNH in 2014, Mr. Sinha's 30 years of managerial experience includes underwriting, claims and reinsurance work for New India Assurance and other private sector general insurance companies in India, the UK and the UAE. He has worked both at the operational as well at the corporate office level, including being a part of the Hull and Energy Technical Department at New India Assurance's head office. Mr. Sinha also has experience with the London market, having set up Reliance General Insurance's representative office there. He was the Head of Technical at Al Khazna Insurance, UAE, handling underwriting, risk management and reinsurance functions. Mr. Sinha is a Post Graduate in History and an Associate Member of the Insurance Institutes of India.

Eman Mujali
Assistant General Manager

Bahrain National Insurance

Ms. Mujali joined bni in 1995 and has over 20 years of experience in insurance. Her technical skills and experience, together with her talent at customer service, positioned her well for a role in business development, a function she is currently heading as an Assistant General Manager. She holds business administration and marketing qualifications from the University of Bahrain, a diploma and advanced diploma in insurance and has also attended a number of technical, personal development and management courses.

Sergio Martinez Fernandez
General Manager

iAssist Middle East

Joining iAssist in June 2015 as General Manager, Mr. Fernandez has more than 15 years of experience in motor related services and insurance across the Middle East. Prior to joining iAssist, he was the Financial Director at MAPFRE Insurance and CEO Advisor/Strategy & Planning Director at Al-Etihad Insurance, KSA. He also worked as an advisor in Strategy & Planning for the Ministry of Health in the Kingdom of Bahrain and as an External Expert Consultant with Grant Thornton. He holds an MBA in CEF from Financial Economic Center, Madrid, Spain, a BS in Business Economics from University Complutense of Madrid (UCM), Spain and a CII award from BIBF.

Progress on the Horizon

The Group ensures that it remains at the cutting edge by embracing the latest technologies.

Progress on the Horizon

Sameer Ebrahim AlWazzan
Chief Executive

It gives me great pleasure to present you with this detailed report on the performance and results of Bahrain National Holding Company's (BNH) and its subsidiaries Bahrain National Insurance Company (bni), Bahrain National Life Assurance Company (bnl) and iAssist Middle East for the year ended 31st December 2015:

Chief Executive's Message

Bahrain National Insurance Company (bni):
Gross insurance premiums registered an increase of 2.6%, from BD21.9 million in 2014 to BD22.5 million in 2015, while net claims rose by 7.1%, from BD7.1 million to BD7.6 million. bni's net underwriting profit was lower by 10%, from BD1.4 million to BD1.3 million, a direct result of the newly implemented Motor Vehicle Accident Fund, which legally requires that 1% of motor gross premium revenues go towards that fund. Our income from investments rose from BD1.9 million to BD2.0 million, an improvement of 6% despite the current challenging global investment climate. The net profit remained unchanged at BD3.3 million.

Bahrain National Life Assurance Company (bnl):
Gross insurance premiums increased by 44% from BD3.8 million in 2014 to BD5.4 million in 2015, complemented by a 40% drop in net claims, from BD1.3 million to BD800 thousand, the result of sound underwriting and pricing policies. Meanwhile, the net underwriting profit jumped 52.2%, from BD203 thousand to BD309 thousand, even as poor investment market conditions took their toll on bnl's investment portfolio, causing investment income to decrease 53.4%, from BD668 thousand to BD311 thousand. This, in turn, affected the net profit, bringing it down by 29%, from BD871 thousand to BD620 thousand.

iAssist Middle East:
In February 2015, BNH acquired the entire share capital of Ultra Tune Middle East, which was established in 2011 as a joint venture with an Australian partner. The company, renamed and rebranded iAssist Middle East, currently employs more than 42 specialised technical staff members, providing high quality vehicle repair and road assist services, mainly for bni customers, but also to those of other firms and individuals. Its new management made remarkable improvements in processes and systems, cutting losses from BD267 thousand in 2014 to just BD43 thousand in 2015. The Group is confident that this company will become profitable in 2016 and stands firmly behind it given its essential role in adding value for bni's motor insurance clients.

Bahrain National Holding (BNH):
The Group's gross insurance premiums registered a healthy increase, from BD25.7 million in 2014 to BD28.4 million in 2015, a growth of 10.4%. Net earned premiums rose by 8.3%, from BD13.7 million to BD14.8 million, while net claims remained flat at BD8.4 million. The increase in expenses due to the motor accident levy, higher reserving and consolidation of iAssist and higher acquisition costs, resulted in a marginal decline in net underwriting profit, from BD2.4 million to BD2.3 million. The increase of profit from associates offset the drop in net investment income. Lower corporate expenses due to judicious cost control resulted in the net profit leaping by 10%, from BD3.8 million to BD4.2 million, the Group's highest since 2007.

Competitive advantages:
During the year, the insurance subsidiaries worked on introducing innovative new products, reviewing and improving the processes and efficiency of service delivery. The focus was also on growing its network and branches, including opening a new branch in Zinj to cater to the central Manama area and expanding claims acceptance from two branches to its entire network. The Group also focused on improving human resources through training and management courses to prepare Bahraini employees for the responsibility and leadership skills required for future executive roles.

Governance:
The Company follows the highest governance standards, in line with all Central Bank of Bahrain (CBB) requirements and regulations, as well as the corporate governance rules of the Kingdom.

Our prospects:
In line with its strategy to be the public's first choice, the Group ensures that it remains at the cutting edge by embracing the latest technologies. Our focus is on providing customers a broad range of insurance offerings, and the ability to renew policies and report claims online. Maintaining our market leadership position undoubtedly requires us to continuously upgrade our systems, processes and employee skills.

From an economic and investment point of view, 2016 will not be an easy year, but we look forward to the challenge and reaffirm our commitment to our stakeholders to expend our best efforts to continue to lead the market.

Sameer Ebrahim AlWazzan
Chief Executive

Review of Operations

Subsidiary

Bahrain National Insurance Company (bni)

bni is the wholly owned subsidiary of BNH, providing insurance products and services for both individuals and corporates. When considering indigenous business, it is the leading insurer in the Bahrain market continuously providing relatively substantial high capacity to small to medium size businesses, as well as large industrial and commercial concerns, for more than 40 years. The company maintains a long and steady relationship with international reinsurance partners having AA or A ratings who in turn have supported the underwriting capacity of the company continuously throughout the years.

The company adopts an approach towards its customers that focuses mainly on their type and needs, having a section dealing with individuals and their personal requirements, such as motor, home and travel insurance, and another for corporate insurance which centres on the complex needs of business establishments, institutions and companies.

Taking full advantage of the noticeable changes in consumer purchasing behavior and patterns, the company continues to invest heavily in IT as it believes that taking the products to the customer is the best way of achieving success. It will continue to improve its website to make it easier for clients to purchase insurance or register a claim online or by using mobile application facilities. The company understands the power of social media and decided to use this medium to increase insurance awareness. In this regard, bni has launched, towards the end of the year, an advertising and marketing campaign featuring slightly humorous and joyful characters from outer space. This theme and concept has produced remarkably positive feedback and will continue in the coming year.

The company has further strengthened its risk management department and is continuously using readings from its own model for risk-based capital allocation to monitor and assist in strategic management decisions concerning economic solvency, liquidity, investments and technical decisions. This section is actively pursuing the updating of risk registers and introducing risk mitigation processes. The International Credit Rating of bni is bbb+ and the Financial Strength Rating is B++. Both ratings carry a stable outlook. This is similar to the rating in 2014 and was recently reaffirmed by AM Best in December 2015. Quoting an extract from the rating agency report, the rating "reflects its (bni's) solid risk-adjusted capitalisation, good track record of operating profitability and strong domestic business profile".

To continue expanding in its provision of services during this year, bni opened a new branch in Zinj bringing the number of branches to nine, in addition to two other outlets at a bank and a motor dealer. Towards the end of the year all branches have now been enhanced to provide claims notification and intimation services, in addition to offering underwriting facilities. Also during this year Comprehensive Motor Policies continued to be enhanced with a special optional additional feature for home assist and pickup delivery services. In the personal lines section, the company revised the pricing and cover for all its products in this sector to bring them in line with market prices and customer needs and expectations.

The Motor account, by far the largest class of business written by bni, registered an increase of 7.8% in gross written premiums. Loss ratios increased slightly from 60% to 64%, whilst the expense ratio is slightly lower than previous year. The company had, for the first time, to make provision this year for the market Hit and Run fund, together with other regulatory and actuarial provisions. These provisions have reduced the final net underwriting profit for motor before investment income when compared to the previous year, but still maintained a good return to insurance revenue of 10%.

On the corporate insurance side bni revised its underwriting, policies and procedure manuals. These changes will assist in a more consistent and efficient approach as the company, in this sector, is seeing more business coming through brokers. Furthermore, to continue to enhance its market position the company has, in the beginning of this year, also finalised a new treaty which allows it to provide new capacity and quote for casualty business from the GCC, including specialised lines such as Bankers' Blanket Bond, Computer Crime, Directors' and Officers' and Professional Indemnity policies. This arrangement will further assist in increasing retention as business is moved from facultative outward into this treaty. However, bni persisted in its strict and selective approach in accepting risk from outside Bahrain as facultative inward business in view of depressed regional prices and high claims ratios.

Commercial Insurance business reduced by about 3% in gross written premium as we saw pressure on prices in most classes of business. The reduction mainly came from management's decision to reduce exposures from outside Bahrain to maintain and protect profitability and coupled with lack of new construction projects which were budgeted but never materialised due to such projects being delayed. Notwithstanding this reduction this area of business produced an underwriting profit compared to a loss in the previous year. The net underwriting profit before allocation of investment income for the sector is 10% of the insurance revenue.

The company in total registered an increase of 2.5% in gross written premiums mainly coming from Motor followed by Engineering. The retention ratio which is the net earned premium retained by the company over the gross written premium, increased by 3.5 percentage points in line with the ongoing strategy of the company. This has pushed up the insurance revenue by 4%. The overall net loss ratio and the expense ratio remained consistent at around 62% and 28% respectively. The net profit after investment income remained at BD3.3 million, which results in a 14.7% return of gross written premium and 26.7% of net insurance revenue.

Subsidiary

Bahrain National Life Assurance Company (bnl)

2015 was another challenging year because of increased competition and customers being keen on maintaining their costs at similar levels to last year. bnl's focus in 2015 continued on improving the bottom line profit by ensuring an underwriting profit on the business. This meant charging the correct premium for risks written for both new and existing business. As a result, medical premiums increased by 65 % and the underwriting profits by 60% from last year. On the life side as well the premium increased by 12 % and underwriting of the business increased by 44% due to a reduction in claims and underwriting improving significantly over last year. Overall, bnl showed an underwriting profit higher by 53% compared to last year, however investments did not perform well with a drop of 53% compared to previous year resulting a profit of BD620,000. A key development this year was the smooth run off the bnl in-house medical TPA and completely transferring it to our appointed TPA GlobeMed Bahrain. The appointment of a new Actuary, as well as the renewing of an agreement with a leading international reinsurer on improved terms and support, was another achievement for bnl during the year. Focusing on reducing expenses continued and online life premium payment was introduced as well.

Medical Insurance

The demand for medical insurance continued to grow at the corporate level, albeit with severe competition. However, bnl continued to follow the approach of charging the right premium for the risks offered which lead to an increase in premium and underwriting profit of BD180,000, a reduction in loss ratio to 37% and an overall profit of BD270,000.

During the year, a noticeable drop in Tasheera plans took place due to the newly imposed rules of the Labour Market Regulatory Authority and the Ministry of Health, and we improved sales of Essential Plan, for the lower end of the market. Business was highly competitive, especially where public tenders were involved, with many companies seeking the lowest possible prices due to reduced operating budgets. In response, bnl continued its health awareness and education initiatives that included providing corporate customers with advice and guidance on the best way to look after their staff, and circulating our monthly newsletter, and news clips from our partners on the latest medical trends and news.

Life Assurance

2015 was a success in retaining existing customers and acquiring new ones, despite the increase in competition. We maintained individual business at the same level compared to 2014 due to the market situation and competition. Individual life showed an underwriting profit of BD32,000. However the group life premium increased by 24%, due to gaining some new groups and improved underwriting losses. Overall the life portfolio showed a pure underwriting profit of BD32K, which is an achievement over 2014. Both improved underwriting during the year as well as expense control helped to reduce the loss in the group's portfolio. Overall, the life business profit was BD350,000. Our focus during the year on production of group business, with support from our reinsurers, enabled us to add several new group policies to the portfolio and we will continue with this approach.

Subsidiary

iAssist Middle East

iAssist Middle East W.L.L is a wholly owned subsidiary of Bahrain National Holding company (BNH). It was established in 2009 as Ultra Tune Middle East W.L.L., a joint venture between BNH and Ultra Tune, Australia. The ownership of the entity changed in February 2015 upon BNH's acquisition of Ultra Tune, Australia's 50% stake.

iAssist's state-of-the-art car body shop in Salmabad offers a full range of auto services, ensuring improved quality and efficient delivery of repaired vehicles to our motor insurance customers. A separate Roadside Assist department provides assistance for owners with vehicle breakdowns and car replacement. Today, the company has 42 employees, with a growing clientele including other insurance companies and private customers.

Associates

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. It is equipped with a 24-hour clinic, radiology unit, medical laboratory and pharmacy.
Website: www.alkindihospital.com

Arabian Shield Cooperative Insurance Company

Established: 2006
Paid-up capital: SR200 million
BNH share: 15.27%
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

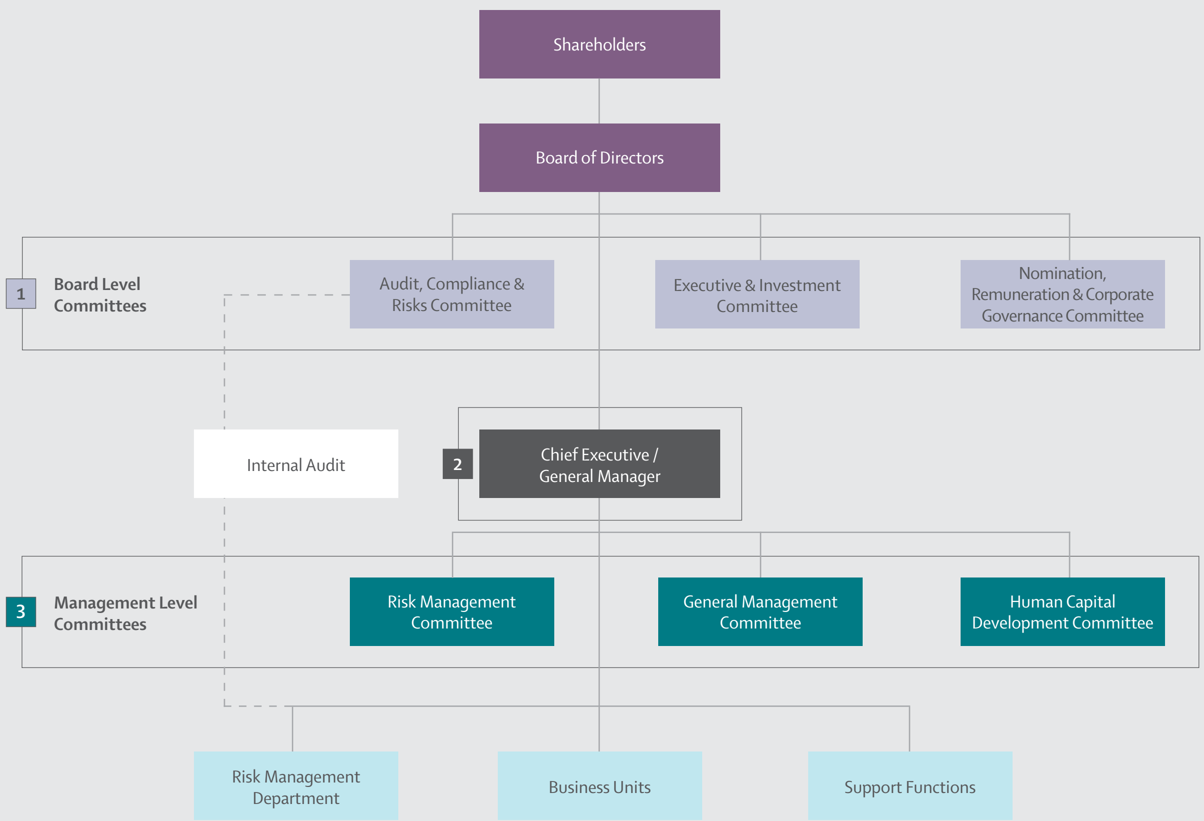
Established: 2005
Paid-up capital: BD 7.5 million
BNH share: 34.9%
National Finance House (NFH) specialises in providing consumer and corporate financing for the purchase of private, commercial and heavy vehicles.
Website: www.nfh.com.bh

United Insurance Company

Established: 1986
Paid-up capital: BD 5 million
BNH share: 20%
The United Insurance Company (UIC) provides insurance cover for passengers and vehicles crossing the King Fahad Causeway linking the Kingdom of Bahrain and the Kingdom of Saudi Arabia
Website: www.uic.bh

Corporate Governance

Organisation Structure



Notes

1. Board Committees of each respective Company; Executive & Investment Committee for bnh and bni only.
2. CEO for BNH; GM in the case of the Subsidiaries bni, bnl and iAssist Middle East.
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.

Corporate Governance Commitment

Since the issuance of corporate governance code by Ministry of Industry and Commerce and Central Bank of Bahrain (CBB) in 2010, BNH has been keen to strengthen its existing governance systems not only through a commitment to apply governance system requirements, but also by developing that system in order to be in line with the best applications and practices of governance in all aspects of the Group's operations and responsibilities. The company sees corporate governance as a system whereby the company's business operations are financially and commercially directed and controlled.

The governance organisational structure defines the distribution of rights and responsibilities of the various parties involved in the company, such as Shareholders, the Board of Directors and its committees, Executive Management, Managers and other Stakeholders. In addition, it explains the rules and procedures for decision-making within the company and its strategy, in order to find a model that determines the company's objectives and the process that should be followed to achieve these objectives and performance monitoring.

The Structure of Corporate Governance

The governance model applied in Bahrain National Holding Company consists of three tracks as follows:

1. Business units apply the Group's strategies in dealing with risks, according to the risks identification index
2. The Risk management system, which is responsible for the selection and ongoing monitoring of risks faced by the company in various areas of its business and for suggesting ways to avoid those risks or mitigate the severity of its impact as much as possible; the Risk Management Committee is responsible for the verification of the full implementation of this system by the concerned parties within the company
3. Independent oversight to ensure proper application to rules and standards of governance and risk management, where this responsibility is assigned to the Audit, Compliance and Risks Committee of Board of Directors

Developments in 2015

Bahrain National Holding Co.

In line with the issued governance rules by the Regulators, and the Group's policies and strategies towards the development of the corporate governance system, it has, during 2015, restructured the committees emanating from the Board of Directors by establishing independent committees for both the parent company and its subsidiaries separately, as evidenced by the organisational structure shown on the page number 32 and 33 of this report.

Central Bank of Bahrain

The Group maintained its full commitment to all rules and regulations issued by the CBB, especially rulebook volumes 3 and 6, without reporting any violations during the year 2015.

The Board

BNH's board of director consists of 10 non-executive members, elected with the approval of the CBB in March 2014 for a term of three years. Following the election of the directors each one signed a Letter of Appointment, setting out the terms of their tenure, duties and responsibilities, remuneration 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 2015

Board members	24 Feb	29 Apr	11 Nov	14 Dec
Farouk Yusuf Almoayyed	✓	✓	✓	✓
Abdulhussain Khalil Dawani	✓	✓	✓	✓
Abdulrahman Mohamed Juma	✓	✓	✓	✓
Jehad Yusuf Amin	✓	✓	✓	✓
Sami Mohamed Sharif Zainal	✓	✓	✓	✓
Ayad Saad Khalifa Algosaibi	✓	✓	✓	✓
Ghassan Qassim Mohamed Fakhroo	✓	✓	✓	✓
Talal Fuad Kanoo	✓	✓	✓	×
Ali Hassan Mahmood	✓	✓	✓	×
Redha Abdulla Faraj	✓	✓	✓	✓

- Mr. Farouk Yusuf Almoayyed is the Chairman of the board.
- The induction and orientation process for the Board of Directors is carried out with the assistance of the 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 must attend at least 75 percent of meetings held during any twelve-month period.
- The remuneration for Directors is determined by the shareholders at the Annual General Meeting.

Board of Directors & Executive Management Interests – January to December 2015

Name of Shareholder	Number of Shares as at 01/01/2015	Number of Shares as at 31/12/2015	Changes
Directors			
Farouk Yusuf Almoayyed	1,234,088	1,234,088	-
Abdulhussain Khalil Dawani	1,244,907	1,244,907	-
Abdulrahman Mohamed Juma	635,996	635,996	-
Jehad Yusuf Abdulla Amin	566,157	566,157	-
Ali Hassan Mahmood	505,601	505,601	-
Ayad Saad Algosaibi	100,000	100,000	-
Sami Mohamed Sharif Zainal	139,876	139,876	-
Talal Fuad Kanoo	144,798	144,798	-
Ghassan Qassim Fakhroo	100,000	100,000	-
Executive Management			
Sameer AlWazzan (CEO)	109,278	109,278	-

Board Committees

Audit, Compliance & Risks Committee (ACRC)

Responsibilities

- Select external auditors and ensure their professional standards
- Select internal auditors, and review and approve internal audit plan; the audit plan includes a review of internal control processes and procedures by the internal auditors
- Review audited annually, quarterly and half-yearly financial statements, discuss them with the Board and obtain its approval
- Assist in developing the risk management framework
- Ensure compliance with all relevant regulatory and legal rules
- Carry out the instructions of the Board for all investigations

Directors' attendance at ACRC meetings in 2015

Members	16 Feb	23 Apr	6 Aug	4 Nov
Redha Abdulla Faraj	✓	✓	✓	✓
Abdulrahman Mohamed Juma	✓	✓	×	✓
Ayad Saad Khalifa Algosaibi	✓	✓	✓	✓
Ali Hassan Mahmood	✓	✓	✓	✓

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

Executive & Investment Committee (EIC)

Responsibilities

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

Directors' attendance at EIC meetings in 2015

Members	16 June	16 September
Ghassan Qassim Mohamed Fakhroo	✓	✓
Jehad Yusuf Amin	✓	✓
Sami Mohamed Sharif Zainal	✓	✓
Ayad Saad Algosaibi	✓	✓

- Mr. Ghassan Qassim Mohamed Fakhroo is the Chairman of the Executive & Investment Committee (EIC)
- The EIC is required to meet at least four times in a financial year.
- EIC has been reformed since June 2015.

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, Committees and Senior Executives

Directors' attendance at NRCG meetings in 2015

Members	24 Feb	11 Nov
Farouk Yusuf Almoayyed	✓	✓
Abdulhussain Khalil Dawani	✓	✓
Jehad Yusuf Amin	✓	✓
Redha Abdulla Faraj	✓	✓

- Mr. Farouk Yusuf Almoayyed is Chairman of the NRCG.
- The NRCG members are required to meet when and as required subject to a minimum two meetings per year.

Management

The Board has delegated 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 being 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 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

- Sameer AlWazzan, Chief Executive (Chairman)
- Anand Subramaniam, Chief Financial Officer – Member
- Joseph M. Rizzo, General Manager (bni) – Member
- Mohamed 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
- Monitor investment policy within and according to established mandates

Membership

- Sameer AlWazzan, CEO, Committee Chairman
- Joseph M. Rizzo, General Manager (bni) – Member
- Masood Bader, DGM (bni) – Member
- Anand Subramaniam, Chief Financial Officer - Member
- Mohamed Kadhim, Assistant General Manager (Legal & Compliance) – Member
- Mr. Anantha Ramani, Senior Manager, Finance
- Bayan Jaberi, Assistant Manager, Enterprise Risk Management – Member

Human Capital Development Committee

Objectives

- Steer and implement all employee development programs and other HR initiatives
- Structure such programs 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 programs and the agreed deliverables
- Research and develop appropriate channels for such programmes' 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

- Sameer AlWazzan, Chief Executive (Chairman)
- Anand Subramaniam, Chief Financial Officer – Member
- Joseph M. Rizzo, General Manager (bni) – Member
- Sahar Al Ajjawi, General Manager (bnl)
- Samia Saleh, 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 & Compliance Unit, which is directly responsible for all compliance issues.

Transparency & Efficiency
In developing its Corporate Governance process's guiding principles, the Group aims to maximise the 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 2015, BNH continued to regularly review and update all key policies and procedures manuals, covering critical operational areas within the Group's insurance subsidiaries and across all functions of the organisation.

Directors & Officers (D&O) Liability Insurance
The Group is insured under a Directors & Officers Insurance Policy. The adequacy of the cover is measured in terms of size of the assets and future growth expectations of the Group. 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 the regulations of the Central Bank of Bahrain. Yearly, the Group conducts a thorough review of its policies, procedures, and internal directives, in addition to arranging specialised courses to ensure ongoing compliance. The Group has submitted its external auditors report for the year 2014 in accordance with the requirement of the CBB.

Whistle blowing policy:
In its commitment to the highest standard of good governance practice, BNH Group has in place a whistle blowing policy designed to enable all employees to raise any serious internal behavior with a high level of confidentiality. The policy explains procedures that BNH's staff may follow in reporting any misconduct or irregularities to the concerned officials without fear from any adverse consequences. The policy is accessible to all staff members and disclosed on the company's intranet.

Key Persons Trading
The Group's compliance with the CBB's latest Key Persons Trading regulations is supervised by the Audit, Compliance & Risks Committee which reports to the Board of Directors. The Group has submitted its internal audit report for the year 2015 in accordance with the requirement of the CBB.

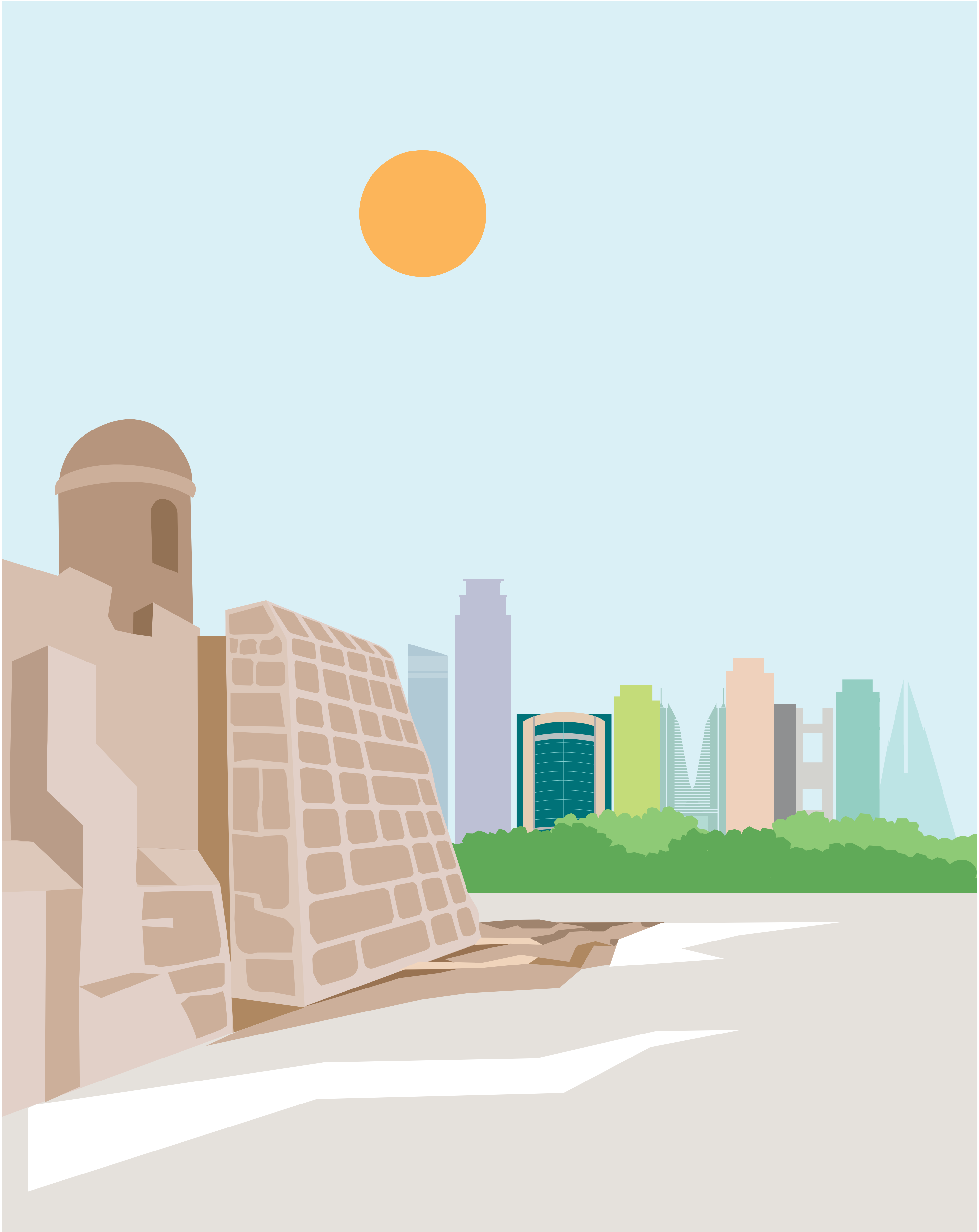
Code of Conduct
The Group has developed a Code of Business Ethics that governs the behavior and working practices of the Directors, Management and staff. Compliance with the code of Business Ethics by the staff is monitored by the Human Capital Department, while Board members collectively or individually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

Penalties
The Group did not pay any financial penalties to the CBB during the year.

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

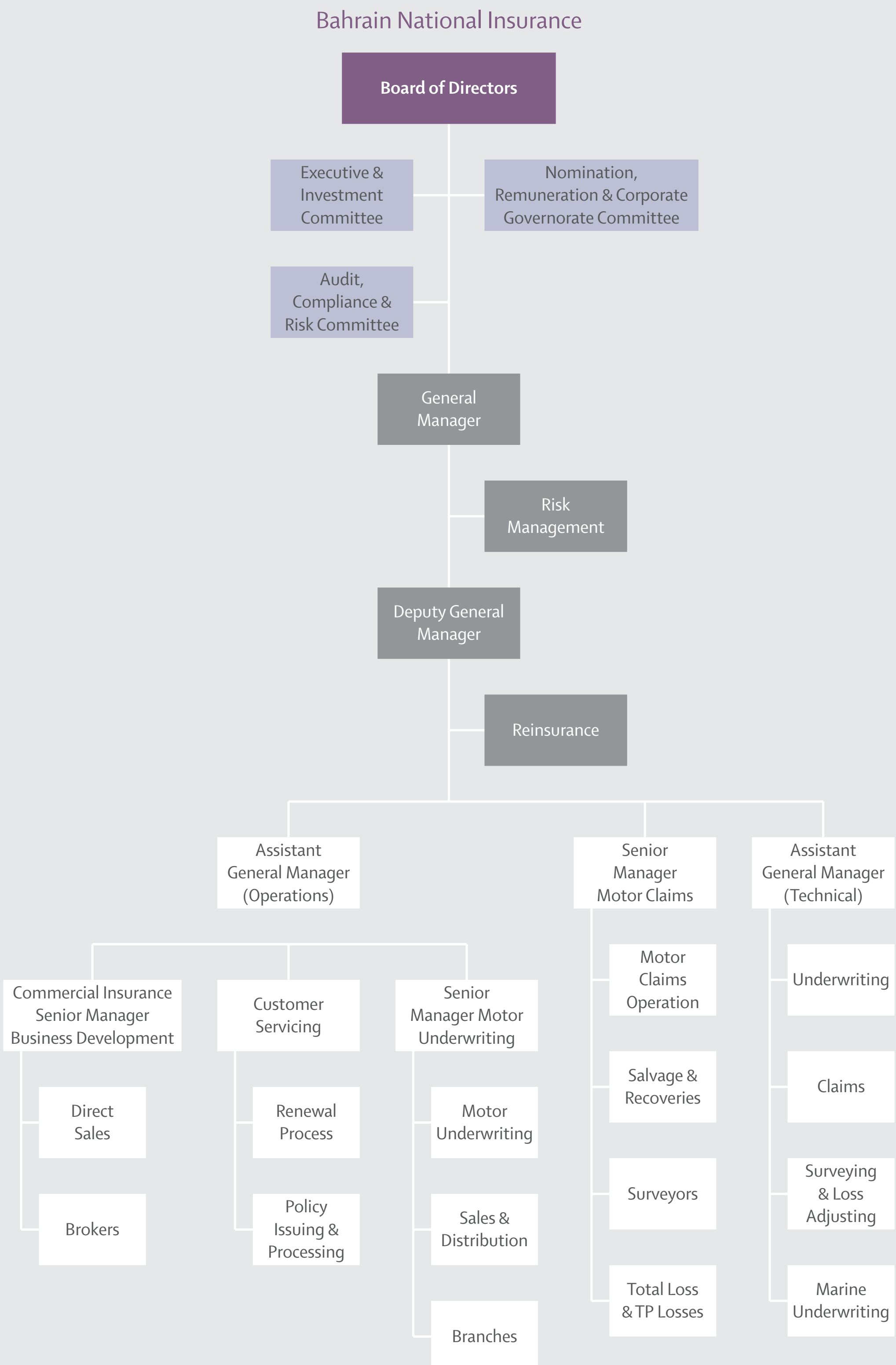
***Built to Last**

2015 was a success in retaining existing customers and acquiring new ones, despite the increase in competition.

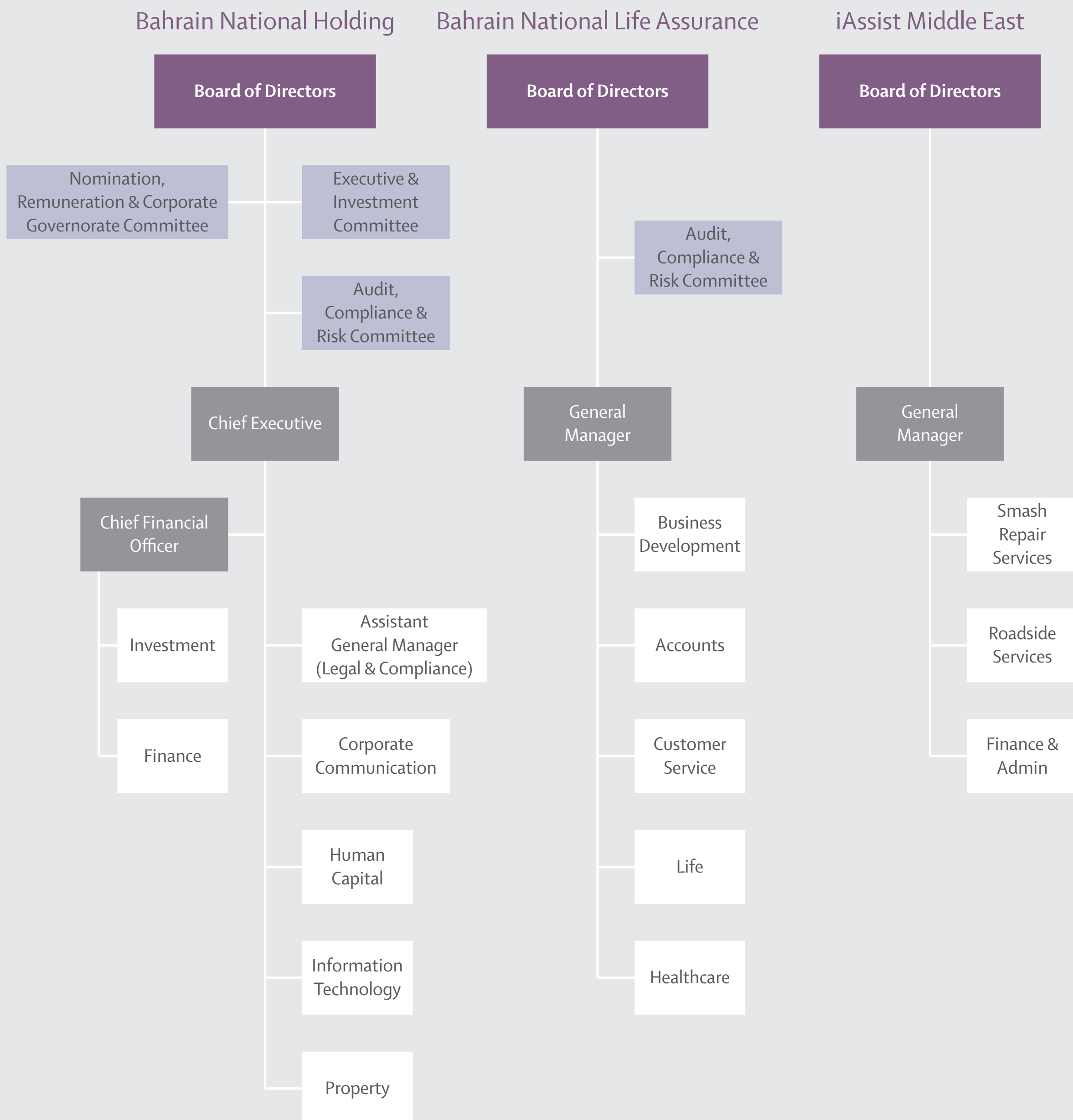


Built to Last

Organisational Chart



Organisational Chart
continued



Corporate Social Responsibility

Insurance

- Sponsored Insurance Awareness Week organised by the Bahrain Insurance Association & the CBB
- Participated in a number of insurance industry conferences and seminar, both locally and internationally

Education

- Sponsored a student participating in a CAS (Creativity, Action, Service) Charity trip to Cambodia
- Purchased Braille Perkins Typewriters for the Saudi Bahraini Institute for Blind
- Presented gifts to children with cancer who graduated from an educational programme ran by the Future Society for Youth as part of its “Smile” initiative
- Donated wheelchairs to the Ayesha Al Marzooq Quran Recitation Center as part its Mother Charity Committee program, an initiative to support the disabled.
- Sponsored Rotary Club of Adliya’s 1st Rotary Youth Leadership programme
- Supported the Indian Community Relief Fund (ICRF) annual art carnival, entitled ‘Spectra 2015’, which aimed to unearth artistic talent among the youth
- Provided summer internships and work placements for Bahraini students

Charities

- Sponsored Dreams Society fundraiser for Ibn Khuldoon National School in support of children with Debilitating illness
- Supported the Children with Cancer event held by Future Society for Youth
- Supported Dinner for a Cause event organised by Sacred Heart Catholic Church
- Donated Special Playground Unite for disabled children to the Association for Parents & Friends of Disabled & which were installed in Salmaniya Garden
- Supported New Dawn Society’s “Eydiyah” initiative for children with cancer patients, presenting each child with a BD30 City Center Gift Voucher
- Donated Ramadan coupons for needy families

Sports & Staff Participation

- Entered a BNH team in the Bahrain Marathon Relay, a major annual fund-raising event that supports charity organisations in the Kingdom
- Supported the Bahrain Cancer Society walkathon “Challenge Cancer”
- Supported the Al Rashid Group walkathon “Beat Diabetes”
- Sliver Sponsors of Rotary Club of Salmaniya’s 2015 Raft Race
- Entered a BNH team in Rotary Club Manama’s 6 A-Side Football Tournament
- 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
- Encouraged staff to recycle waste, conserve energy, and reduce the use of paper

Contacts

BNH Contacts

P.O. Box 843, 9th Floor,
BNH Tower,
Seef Business District,
Kingdom of Bahrain
Tel: 17 587300
Fax: 17 583099
Website: www.bnhgroup.com

bnl Contacts

P.O. Box 843,
BNH Tower,
Seef Business District,
Kingdom of Bahrain
Tel: 17 587333
Fax: 17 583277
Website: www.bnl4life.com

iAssist ME Contacts

P.O. Box 80540,
Block 704, Road 426,
Building 1402, Salmabad,
Kingdom of Bahrain
Road Assist: +973 8000 1255
Tel: +973 17112380
Fax: +973 17 112398
www.iassist-me.com

bni Contacts

P.O. Box 843,
BNH Tower,
Seef Business District,
Kingdom of Bahrain
Call Centre: 8000 8288
Fax: 17 583477, 17 583299
Website: www.bnidirect.com

bni's branches:

Head office
BNH Tower,
Seef Business District

Sanad branch
bni Complex, 2nd Floor,
Road 4571, Block 745, Sanad

Manama branch
Ground Floor, City Centre 203,
Government Avenue, Manama

Muharraq branch
Shop. 1232, Road 1535,
Block 215, Muharraq

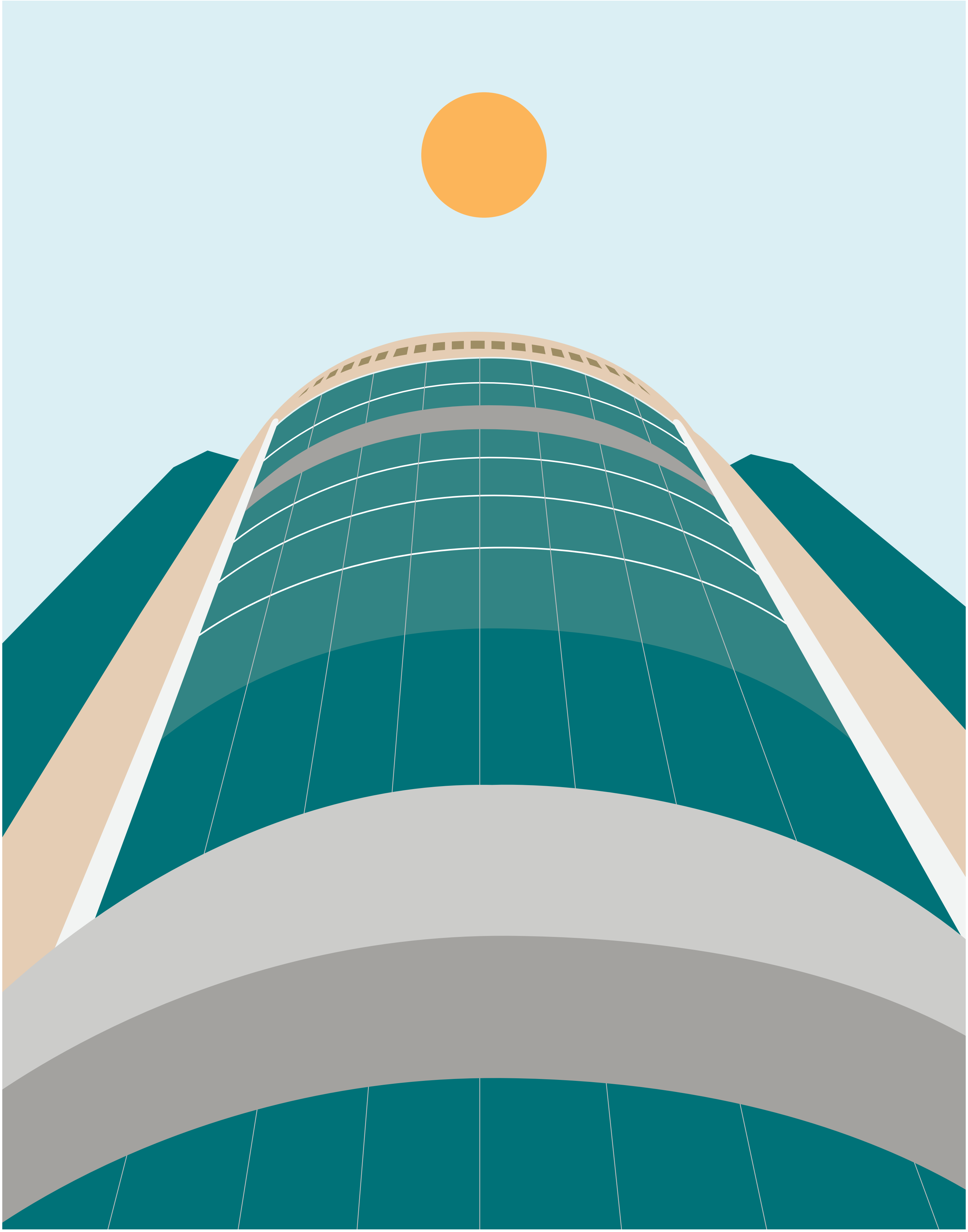
Budaiya branch
Najibi Centre, Shop No. 3,
Building No.3, Saar

Hamad Town branch
Shop No. 255, Road No. 305,
Block 1203, Hamad Town

Sitra branch
Building No. 946, Road No. 115,
Block 601, Sitra

Isa Town branch
Isa Town Mall,
Shop No. 16, Isa Town

Zinj branch
Manama Plaza, Shop No. 61P,
Building No. 63, Manama



A Brighter Tomorrow

Consolidated Financial Statements

for the year ended 31 December 2015

***A Brighter Tomorrow**

2016 will not be an easy year, but we look forward to the challenge.

Independent Auditors' Report to the Shareholders

KPMG Fakhro
12th Floor, Fakhro Tower
P.O. Box 710, Manama
Kingdom of Bahrain

CR No. 6220
Tel: +973 17 224 807
Fax: +973 17 227 443
Website: www.kpmg.com.bh

The Bahrain National Holding Company BSC
P.O. Box 843, 9th floor, BNH Tower,
Seef Business District, Kingdom of Bahrain

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of 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 2015, 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 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 2015, 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:

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

KPMG Fakhro
Partner Registration No. 187
25 February 2016

Consolidated Statement of Financial Position

as at 31 December 2015

(In thousands of Bahraini Dinars)

	Note	2015	2014
ASSETS			
Cash and balances with banks	3	10,938	9,216
Insurance and other receivables	4	7,930	6,995
Financial investments	5	29,865	33,672
Equity accounted investees	6	13,806	13,415
Reinsurers' share of insurance technical reserves	7	12,537	17,379
Deferred acquisition cost	25	610	853
Investment properties	9	3,261	2,969
Intangible assets	10	319	330
Property and equipment	11	3,631	2,721
Statutory deposits	12	125	125
Total assets		**83,022**	87,675
LIABILITIES			
Insurance technical reserves	13	26,772	31,835
Insurance payables	17	2,792	3,785
Borrowings	18	202	500
Other liabilities	19	5,536	3,712
Total liabilities		**35,302**	39,832
Total net assets		**47,720**	47,843
EQUITY			
Share capital	21	11,350	11,350
Treasury shares	21 c	(1,868)	(1,868)
Share premium	21 g	3,990	3,990
Statutory reserve	22 a	5,675	5,675
General reserve	22 b	13,585	13,585
Investment fair value reserve	22 c	2,543	4,512
Retained earnings		10,169	8,315
Equity attributable to shareholders of the parent company		**45,444**	45,559
Non-controlling interest	8 b	2,276	2,284
Total equity		**47,720**	47,843

The Board of Directors approved the consolidated financial statements consisting of pages 39 to 92 on 25 February 2016.

Farouk Yusuf Almoayyed
Chairman

Abdul-Hussain Khalil Dawani
Vice Chairman

Sameer AlWazzan
Chief Executive

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015

(In thousands of Bahraini Dinars)

	Note	**2015**	2014
Gross insurance premiums	24	28,401	25,730
Reinsurers' share of gross insurance premiums		(12,958)	(12,357)
Retained premiums		15,443	13,373
Net change in reserve for unearned premiums		(617)	319
Net premiums earned		**14,826**	13,692
Gross claims paid		(22,925)	(20,705)
Claims recoveries		13,580	11,862
Outstanding claims adjustment - gross	14	4,947	(1,462)
Outstanding claims adjustment - reinsurance	14	(4,061)	1,844
Net claims		**(8,459)**	(8,461)
Gross underwriting profit		**6,367**	5,231
Life assurance actuarial reserve release	16	98	178
Net commission and fee (expense) / income	25	(53)	362
General and administration expenses	27 a	(4,093)	(3,369)
Net underwriting profit		**2,319**	2,402
Net investment income	26	2,092	2,432
Share of profit of equity accounted investees	6	1,549	1,012
Corporate expenses	27 b	(1,756)	(2,022)
Profit for the year		**4,204**	3,824
Profit attributable to:			
Parent company		4,049	3,606
Non-controlling interest	8 b	155	218
		4,204	3,824
Basic earnings per share (100 fils each)	21 e	**37.8 fils**	33.6 fils

The Board of Directors approved the consolidated financial statements consisting of pages 39 to 92 on 25 February 2016.

Farouk Yusuf Almoayyed
Chairman

Abdul-Hussain Khalil Dawani
Vice Chairman

Sameer AlWazzan
Chief Executive

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

(In thousands of Bahraini Dinars)

	Note	2015	2014
Profit for the year		**4,204**	3,824
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Available-for-sale securities:			
- Change in fair value during the year		(490)	1,608
- Transfer to statement of profit or loss on impairment of securities		111	187
- Transfer to statement of profit or loss on disposal of securities		(1,364)	(1,338)
Share of other comprehensive income of equity accounted investees		(269)	286
Other comprehensive (loss)/income for the year		**(2,012)**	743
Total comprehensive income for the year		**2,192**	4,567
Total comprehensive income attributable to:			
Parent company		2,080	4,371
Non-controlling interest	8 b	112	196
		2,192	4,567

The consolidated financial statements consist of pages 39 to 92.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

(In thousands of Bahraini Dinars)

	Attributable to the owners of the parent company									
2015	**Share capital**	**Treasury shares**	**Statutory reserve**	**Share premium**	**General reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling Interest**	**Total Equity**
Balance at 1 January 2015	**11,350**	**(1,868)**	**5,675**	**3,990**	**13,585**	**4,512**	**8,315**	**45,559**	**2,284**	**47,843**
Profit for the year	-	-	-	-	-	-	4,049	4,049	155	4,204
Other comprehensive loss for the year	-	-	-	-	-	(1,969)	-	(1,969)	(43)	(2,012)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(1,969)**	**4,049**	**2,080**	**112**	**2,192**
Dividends declared for 2014	-	-	-	-	-	-	(2,145)	(2,145)	(120)	(2,265)
Donations for 2014	-	-	-	-	-	-	(50)	(50)	-	(50)
Appropriations approved by shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(2,195)**	**(2,195)**	**(120)**	**(2,315)**
Balance at 31 December 2015	**11,350**	**(1,868)**	**5,675**	**3,990**	**13,585**	**2,543**	**10,169**	**45,444**	**2,276**	**47,720**

	Attributable to the owners of the parent company									
2014	Share capital	Treasury shares	Statutory reserve	Share premium	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling Interest	Total Equity
Balance at 1 January 2014	11,350	(1,868)	5,675	3,990	13,585	3,747	6,689	43,168	2,088	45,256
Profit for the year	-	-	-	-	-	-	3,606	3,606	218	3,824
Other comprehensive loss for the year	-	-	-	-	-	765	-	765	(22)	743
Total comprehensive income for the year	-	-	-	-	-	765	3,606	4,371	196	4,567
Dividends declared for 2013	-	-	-	-	-	-	(1,930)	(1,930)	-	(1,930)
Donations for 2013	-	-	-	-	-	-	(50)	(50)	-	(50)
Appropriations approved by shareholders	-	-	-	-	-	-	(1,980)	(1,980)	-	(1,980)
Balance at 31 December 2014	11,350	(1,868)	5,675	3,990	13,585	4,512	8,315	45,559	2,284	47,843

The consolidated financial statements consist of pages 39 to 92.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

(In thousands of Bahraini Dinars)

	Note	**2015**	2014
OPERATING ACTIVITIES			
Insurance operations			
Premiums received net of acquisition costs		28,666	27,450
Payments to insurance and reinsurance companies		(13,368)	(14,930)
Claims paid to policyholders		(23,080)	(20,163)
Claims recovered from reinsurers and salvage recoveries		13,678	11,387
Cash flows from insurance operations		**5,896**	3,744
Investment operations			
Dividends and interests received		1,403	1,333
Proceeds from sale and redemptions of financial investments		16,850	17,109
Payments for purchases of financial investments		(13,985)	(16,054)
Bank deposits with maturities of more than three months		(6,973)	(3,846)
Redemption proceeds from bank deposits		3,846	6,786
Acquisition of subsidiary, net of cash acquired		(479)	-
Payments for investment in equity accounted investees		(328)	(406)
Proceeds from sale of investment in equity accounted investees		126	-
Dividends received from equity accounted investees		685	290
Rent received		172	368
Cash flows from investment operations		**1,317**	5,580
Expenses paid		(5,369)	(4,893)
Cash flows from operating activities		**1,844**	4,431
INVESTMENT ACTIVITIES			
Purchase of property, equipment and intangible assets		(309)	(253)
Cash flows used in investment activities		**(309)**	(253)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		47	-
Repayment of bank borrowings		(713)	(500)
Finance costs paid		(27)	(32)
Dividends paid to non-controlling interest		(120)	-
Dividends paid to shareholders		(2,094)	(1,895)
Donations paid		(33)	(17)
Cash flows used in financing activities		**(2,940)**	(2,444)
Total net cash flows during the year		**(1,405)**	1,734
Cash and cash equivalents at 1 January		5,370	3,636
Cash and cash equivalents at 31 December	3	**3,965**	5,370

The consolidated financial statements consist of pages 39 to 92.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

(In thousands of Bahraini Dinars)

1 STATUS AND OPERATIONS

The Bahrain National Holding Company BSC (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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Group:

(i) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

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

(ii) Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards
The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:
- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:
  - a brief description of the operating segments that have been aggregated; and
  - the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

  In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

- IAS 40 has been amended to clarify that an entity should:
  - assess whether an acquired property is an investment property under IAS 40; and
  - perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

  Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

  The adoption of these amendments had no significant impact on the consolidated financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these financial statements.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *IFRS 9 - Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(ii) *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

(iii) *Equity Method in Separate Financial Statements (Amendments to IAS 27).*

The IASB has made amendments to IAS 27 Separate Financial Statements, which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

(iv) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investors in the associate or joint venture.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the financial statements of the Group.

The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.

- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

(vi) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.

- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

The amendments to IFRS 10 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

(vii) Disclosure Initiative (Amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

e) Basis of consolidation

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

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

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

(iv) Interest in equity-accounted investee
The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

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

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

(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. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Basis of accounting

(i) Insurance and investment contracts

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

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

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 insurance premiums

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

Reinsurers' share of gross insurance premiums

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

Unearned premiums

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

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

Claims settled

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

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

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

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Commission income
Commission income represents commissions received from reinsurers under the terms of ceding 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.

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

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

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

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

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.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss.

Surpluses, if any, are released to the statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss by establishing a provision for losses arising from liability adequacy tests.

(v) Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts 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 statement of profit or loss. Objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not be able to receive all the amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(vi) Financial assets and financial liabilities

Classification

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

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

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

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

(viii) Cash and cash 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.

(ix) Intangible assets
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

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

(x) Property and equipment

Property and equipment are 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 statement of profit or loss 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:

Categories	Useful live in years
Building	25 years
Machinery	10 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 statement of profit or loss. When an item of property and equipment is sold, transferred or otherwise permanently withdrawn from use, the cost and accumulated depreciation relating thereto are eliminated from the statement of financial position, the resulting gain or loss being recognised in the statement of profit or loss.

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

(xi) Investment properties

Investment properties are initially measured at cost and subsequently at cost less accumulated depreciation and any accumulated impairment.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(xii) Impairment of assets

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

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss and reflected in an allowance account.

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

Impairment of available-for-sale investments
The Group assesses at each reporting date whether there is 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 statement of profit or loss.

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

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

Non-financial assets
The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated or impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets of cash generating units (CGU's). The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(xiii) 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.

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

Expatriate employees
Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, 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.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Segment results that are reported to the Board of Directors and to the Executive and Investments 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 statement of profit or loss.

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

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

The Group determines that available-for-sale equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In the case of quoted equity securities in active markets, the Group considers a decline in value below cost of 30%, or 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.

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.

(In thousands of Bahraini Dinars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss and reflected in an allowance against the investment. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

(iv) Classification of investments

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

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

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

3 CASH AND BALANCES WITH BANKS

	2015	2014
Cash and bank current accounts	2,396	4,651
Bank deposits with maturities of three months or less when acquired	1,569	719
Cash and cash equivalents	**3,965**	5,370
Bank deposits with maturities of more than three months when acquired	6,973	3,846
Balance as at 31 December	**10,938**	9,216

Information about the Group's exposure to interest rate and credit risks are included in Note 29.

4 INSURANCE AND OTHER RECEIVABLES

	2015	2014
Insurance receivables		
Policyholders	2,919	2,376
Less: provision for impairment of receivables from policyholders	(314)	(301)
Insurance and reinsurance companies	4,210	4,188
Less: provision for impairment of receivables from insurance and reinsurance companies	(321)	(200)
Total insurance receivables	6,494	6,063
Other receivables		
Prepayments and advances	170	134
Recoverable deposits	335	63
Accrued income	652	647
Others	279	88
Total other receivables	1,436	932
Balance as at 31 December	**7,930**	6,995

(In thousands of Bahraini Dinars)

4 INSURANCE AND OTHER RECEIVABLES (continued)

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

	2015	2014
Balance at beginning of the year	501	330
Additional amounts provided during the year	138	176
Balances recovered during the year	(4)	(5)
Balance at end of the year	**635**	501

Information about the Group's exposure to credit and market risks, and impairment losses for receivables are included in Note 29.

5 FINANCIAL INVESTMENTS

	2015	2014
Securities carried at fair value through profit or loss	2,664	2,821
Available for sale securities	22,249	25,823
Held-to-maturity securities	4,952	5,028
Balance as at 31 December	**29,865**	33,672

a) Securities carried at fair value through profit or loss

	2015	2014
Listed securities:		
- Equities	794	867
- Government bonds	244	81
- Corporate bonds	444	231
- Managed funds	1,059	1,602
Unlisted funds	123	40
Total	**2,664**	2,821
Movement during the year		
Opening balance as at 1 January	2,821	2,522
Purchases	1,055	876
Sales	(1,059)	(810)
Valuation gains	(153)	233
Balance as at 31 December	**2,664**	2,821

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in notes 29, 30, 31, and 33.

(In thousands of Bahraini Dinars)

5 FINANCIAL INVESTMENTS (continued)

b) Available-for-sale securities

	2015	2014
Listed securities:		
- Equities	9,239	12,056
- Government bonds	2,005	1,985
- Corporate bonds	2,969	2,313
- Managed funds	3,563	6,268
Unlisted securities and funds	4,473	3,201
Total	**22,249**	25,823
Movement during the year		
Opening balance as at 1 January	25,823	21,809
Purchases	11,717	15,198
Sales	(13,619)	(11,574)
Fair value movement	(1,561)	577
	22,360	26,010
Impairments	(111)	(187)
Balance as at 31 December	**22,249**	25,823

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 29, 30, 31, and 33.

c) Held-to-maturity securities

	Fair value		Carrying value	
	2015	2014	2015	2014
Government bonds	2,878	2,143	2,788	2,234
Corporate bonds	2,249	3,235	2,164	2,794
Total	**5,127**	5,378	**4,952**	5,028

	2015	2014
Movement during the year		
Opening balance as at 1 January	5,028	8,448
Purchases	1,034	-
Disposals on maturity	(1,094)	(3,411)
Exchange losses	(16)	(9)
Balance as at 31 December	**4,952**	5,028

Information about the Group's exposure to credit and market risk is included in notes 29, 30 and 31.

(In thousands of Bahraini Dinars)

5 FINANCIAL INVESTMENTS (continued)

d) Policyholders' investments

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

	Note	2015	2014
Financial investments		**3,460**	2,771
Life assurance actuarial reserve	16	**3,383**	3,219

6 EQUITY ACCOUNTED INVESTEES

a) Interests in associates and joint venture

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	Percentage of ownership interest 2015	2014	Nature of relationship	Principal activities
iAssist Middle East Company WLL *(Formerly known as Ultra Tune Middle East Company WLL)*	Kingdom of Bahrain	100% Subsidiary (Refer note 8)	50 %	2014: Joint-venture 2015: Subsidiary	Transact the business of automobile smash repairs, roadside assistance and automobile services
National Finance House BSC (c)	Kingdom of Bahrain	34.9 %	34.9 %	Associate	Engaged in consumer and auto finance business
Al Kindi Specialised Hospital WLL	Kingdom of Bahrain	25 %	25 %	Associate	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20 %	20 %	Associate	Primarily provides insurance coverage for motor vehicles
Arabian Shield Cooperative Insurance Company	Kingdom of Saudi Arabia	15.27 %	15 %	Associate	Transact various types of general insurance business

(In thousands of Bahraini Dinars)

6 EQUITY ACCOUNTED INVESTEES (continued)

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

	2015	2014
Balance at beginning of the year	13,415	12,001
Reclassified as a subsidiary (refer note 8)	(406)	-
Payment for acquisition of shares	328	406
Proceeds from sale of shares	(126)	-
Share of profit	1,549	1,012
Dividends received	(685)	(290)
Share of other comprehensive (loss) / income	(269)	286
Total (equity method)	**13,806**	13,415
Classification		
Investments in associates	13,806	12,982
Investment in joint venture	-	433
Balance as at 31 December	**13,806**	13,415

c) Group's interest in immaterial associates and joint venture

The following is summarized financial information for the Group's interest in immaterial associates and joint venture based on the amounts reported in the Group's financial statements:

	Associates		Joint Venture	
	2015	2014	**2015**	2014
Group' share of:				
Profit/ (loss)	1,576	1,136	(27)	(124)
Other comprehensive (loss) / income	(269)	286	-	-
Total other comprehensive income	**1,307**	1,422	**(27)**	(124)

7 REINSURERS' SHARES OF INSURANCE TECHNICAL RESERVES

	Note	2015	2014
Outstanding claims recoverable from reinsurers	14	7,635	11,696
Reinsurers' share of unearned premiums	15	4,902	5,683
Balance as at 31 December		**12,537**	17,379

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

(In thousands of Bahraini Dinars)

8 INVESTMENTS IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2015. Unless otherwise stated, they have share capital consisting solely of ordinary shares, that are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business:

Name of the entity	Place of business / country of incorporation	Date of incorporation	Ownership interest held by the Group		Ownership interest held by NCI or Joint Venture		Principal activities
			2015	2014	**2015**	2014	
Bahrain National Insurance Company BSC (c)	Bahrain	30 December 1998	100%	100%	-	-	Transact various types of general insurance business.
Bahrain National Life Assurance Company BSC (c)	Bahrain	4 October 2000	75%	75%	25%	25%	Transact the business of life assurance, medical insurance, retirement planning and savings.
iAssist Middle East Company WLL (Formerly known as Ultra Tune Middle East Company WLL)	Bahrain	14 January 2010	100%	50%	-	50%	Transact the business of automobile smash repairs, roadside assistance and automobile services.

a) Acquisition of subsidiary

On 1 January 2015, the Group acquired 50% of the shares and voting interests in Ultra Tune Middle East WLL. As a result, the Group's equity interest in Ultra Tune Middle East WLL increased from 50% to 100%, obtaining full control of Ultra Tune Middle East WLL. The subsidiary was subsequently renamed as iAssist Middle East WLL.

For the year ended 31 December 2015, iAssist Middle East WLL contributed loss of BD 69 thousand to the Group's results.

i. Consideration
The consideration made for the acquisition where BD 480 thousands.

ii. Identifiable assets acquired and liabilities assumed
The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Property and equipment	1,538
Trade and other receivables	114
Inventories	6
Cash and cash equivalent	1
Borrowings	(380)
Deferred revenue	(163)
Trade and other payables	(304)
Total identifiable net assets acquired	**812**

(In thousands of Bahraini Dinars)

8 INVESTMENTS IN SUBSIDIARIES (continued)

iii. Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- **Property and equipment:** Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

- **Trade and other receivables and trade and other payables:** The trade receivables and payables are contractual on which the fair value is approximately the same as the carrying amount at the acquisition date.

iv. Goodwill:

Goodwill arising from acquisition has been recognized as follows:

Consideration paid	480
Fair value of pre-existing interest in i Assist Middle East	406
Fair value of total identifiable net assets	(812)
Goodwill	**74**

The goodwill has been included under "intangible assets" in the consolidated statement of financial position.

b) 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)

	2015	2014
Cash and balances with banks	2,077	2,563
Receivables	1,062	841
Reinsurers' share of insurance technical reserves	1,383	1,682
Deferred acquisition costs	143	65
Financial investments	11,379	10,590
Intangible assets	81	134
Property and equipment	11	10
Statutory deposits	50	50
Insurance technical reserves	(5,568)	(5,510)
Insurance payables	(484)	(970)
Other liabilities	(1,039)	(320)
Net assets (100 %)	**9,095**	9,135
Carrying amount of NCI	**2,276**	2,284

(In thousands of Bahraini Dinars)

8 INVESTMENTS IN SUBSIDIARIES (continued)

Bahrain National Life Assurance Company BSC (c)

	2015	2014
Net premium earned	2,072	2,214
Net claims	(795)	(1,323)
General and administration expenses	(650)	(791)
Net commission expenses	(416)	(75)
Release from life assurance actuarial reserve	98	178
Net investment income	311	668
Net profit	**620**	871
Other comprehensive loss	(170)	(87)
Total comprehensive income	**450**	784
NCI's share of profit (25%)	**155**	218
NCI's share of total comprehensive income (25%)	**112**	196
Cash flows from/(used in) operating activities	586	(251)
Cash flows (used in)/from investing activities	(682)	1,505
Cash flows used in financing activities, before dividends to NCI	(360)	-
Cash flows used in financing activities, cash dividends to NCI	(120)	-
Net change in cash and cash equivalents	**(576)**	1,254

9 INVESTMENT PROPERTIES

2015	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,087	1,924	4,011
Reclassified from property and equipment	706	-	706
At 31 December	**2,793**	**1,924**	**4,717**
Accumulated depreciation			
At 1 January	889	153	1,042
Depreciation	85	77	162
Reclassified from property and equipment	252	-	252
At 31 December	**1,226**	**230**	**1,456**
Net book value at 31 December	**1,567**	**1,694**	**3,261**
Total fair value at 31 December 2015	**11,304**	**3,662**	**14,966**
This comprises:			
Investment properties	1,567	1,694	3,261
Owner occupied	1,421	347	1,768
Total net book value at 31 December 2015	**2,988**	**2,041**	**5,029**

(In thousands of Bahraini Dinars)

9 INVESTMENT PROPERTIES (continued)

2014	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,087	2,318	4,405
Reclassified to property and equipment	-	(394)	(394)
At 31 December	2,087	1,924	4,011
Accumulated depreciation			
At 1 January	808	92	900
Depreciation	81	76	157
Reclassified to property and equipment	-	(15)	(15)
At 31 December	889	153	1,042
Net book value at 31 December	1,198	1,771	2,969
Total fair value at 31 December 2014	11,581	3,623	15,204
This comprises:			
Investment properties	1,198	1,771	2,969
Owner occupied	1,953	340	2,293
Total net book value at 31 December 2014	3,151	2,111	5,262

The fair value was determined by an external, independent property valuator, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement has been categorized as Level 3 fair value. The revaluation methodology depends on market supply/demand and prices traded, considering the main key assumptions (location, area, population and building condition) and the use of the property by using Market Needs Analyses (MNA) evaluation system in addition to the comparative evidences.

10 INTANGIBLE ASSETS

2015	**Goodwill**	**Software**	**Development cost**	**Total**
Cost				
At 1 January	-	1,784	44	1,828
Additions	-	18	29	47
Goodwill arising on acquisition of subsidiary	74	-	-	74
At 31 December	**74**	**1,802**	**73**	**1,949**
Accumulated amortisation				
At 1 January	-	1,498	-	1,498
Amortisation	-	132	-	132
At 31 December	**-**	**1,630**	**-**	**1,630**
Net book value at 31 December	**74**	**172**	**73**	**319**

(In thousands of Bahraini Dinars)

10 INTANGIBLE ASSETS (continued)

2014	Software	Development cost	Total
Cost			
At 1 January	1,826	8	1,834
Additions	37	44	81
Disposal / impairment	(87)	-	(87)
Transfers	8	(8)	-
At 31 December	1,784	44	1,828
Accumulated amortisation			
At 1 January	1,409	-	1,409
Amortisation	163	-	163
Disposal / impairment	(74)	-	(74)
At 31 December	1,498	-	1,498
Net book value at 31 December	286	44	330

11 PROPERTY AND EQUIPMENT

2015	**Land and building**	**Machinery**	**Furniture, equipment & other assets**	**Capital work-in-progress**	**Total**
Cost					
At 1 January	3,545	424	1,826	-	5,795
Additions from acquisition of a subsidiary	1,230	270	38	-	1,538
Other additions	-	-	231	31	262
Disposals	-	-	(14)	-	(14)
Reclassified to investment properties	(645)	(61)	-	-	(706)
At 31 December	**4,130**	**633**	**2,081**	**31**	**6,875**
Accumulated depreciation					
At 1 January	1,252	380	1,442	-	3,074
Depreciation	139	79	211	-	429
Disposals	-	-	(7)	-	(7)
Reclassified from investment properties	(191)	(61)	-	-	(252)
At 31 December	**1,200**	**398**	**1,646**	**-**	**3,244**
Net book value at 31 December	**2,930**	**235**	**435**	**31**	**3,631**

(In thousands of Bahraini Dinars)

11 PROPERTY AND EQUIPMENT (continued)

2014	Land and building	Machinery	Furniture, equipment & other assets	Capital work-in-progress	Total
Cost					
At 1 January	3,205	370	1,520	134	5,229
Additions	-	-	172	-	172
Reclassified from investment properties	340	54	-	-	394
Transfers	-	-	134	(134)	-
At 31 December	3,545	424	1,826	-	5,795
Accumulated depreciation					
At 1 January	1,099	342	1,231	-	2,672
Depreciation	143	33	211	-	387
Reclassified from investment properties	10	5	-	-	15
At 31 December	1,252	380	1,442	-	3,074
Net book value at 31 December	2,293	44	384	-	2,721

12 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.

13 INSURANCE TECHNICAL RESERVES

	Note	**2015**	2014
Outstanding claims - gross	14	11,676	16,623
Unearned gross insurance premiums	15	11,355	11,519
Unearned commissions income	25	358	474
Life assurance actuarial reserve	16	3,383	3,219
Balance as at 31 December		**26,772**	31,835

14 OUTSTANDING CLAIMS

a) Claims development

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

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

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

(In thousands of Bahraini Dinars)

14 OUTSTANDING CLAIMS (continued)

(i) Gross insurance claims for general insurance business

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At end of reporting year	6,797	10,095	7,693	6,485	5,420	3,883	7,275	5,550	8,850	**4,737**	66,785
One year later	7,312	7,775	6,240	9,692	5,950	4,632	7,512	7,510	**8,928**		65,551
Two year later	6,836	9,334	6,598	9,658	6,074	5,140	6,059	**7,957**			57,656
Three year later	6,824	9,788	6,538	9,399	6,120	4,970	**5,972**				49,611
Four year later	7,283	9,656	6,311	9,573	6,071	**4,948**					43,842
Five year later	7,338	9,474	6,382	10,442	**5,940**						39,576
Six year later	7,254	9,286	5,986	**10,399**							32,925
Seven year later	7,231	9,563	**6,161**								22,955
Eight year later	7,199	**9,581**									16,780
Nine year later	**7,105**										7,105
Current estimate of cumulative claims **(A)**	7,105	9,581	6,161	10,399	5,940	4,948	5,972	7,957	8,928	4,737	71,728
Cumulative payments to date **(B)**	7,080	9,557	5,970	9,610	5,147	4,111	5,410	6,880	7,334	-	61,099
Total (A – B)	**25**	**24**	**191**	**789**	**793**	**837**	**562**	**1,077**	**1,594**	**4,737**	**10,629**
Reserve in respect of years prior to 2005											144
Total gross reserve included in the statement of financial position											**10,773**

(ii) Gross outstanding claims for life and medical insurance business amounting to BD 903 thousand.

(iii) Net insurance claims for general insurance business – Net

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At end of reporting year	3,321	5,049	4,890	3,908	1,986	1,949	3,409	2,281	2,083	**2,166**	31,042
One year later	3,664	2,584	2,707	4,046	2,383	2,259	3,356	2,874	**2,794**		26,667
Two year later	3,510	2,884	3,189	3,949	2,465	2,263	3,279	**3,260**			24,799
Three year later	3,590	3,394	3,001	3,729	2,590	2,179	**3,153**				21,636
Four year later	3,953	3,400	2,808	3,735	2,602	**2,117**					18,615
Five year later	4,005	3,126	2,878	3,802	**2,460**						16,271
Six year later	3,911	3,107	2,871	**3,767**							13,656
Seven year later	3,888	3,115	**2,963**								9,966
Eight year later	3,876	**3,160**									7,036
Nine year later	**3,839**										3,839
Current estimate of cumulative claims **(A)**	3,839	3,160	2,963	3,767	2,460	2,117	3,153	3,260	2,794	2,166	29,679
Cumulative payments to date **(B)**	3,825	3,159	2,888	3,624	2,386	1,982	2,959	2,845	2,253	-	25,921
Total (A – B)	**14**	**1**	**75**	**143**	**74**	**135**	**194**	**415**	**541**	**2,166**	**3,758**
Reserve in respect of years prior to 2005											27
Total net reserve included in the statement of financial position											**3,785**

(In thousands of Bahraini Dinars)

14 OUTSTANDING CLAIMS (continued)

(iv) Net outstanding claims for life and medical insurance business amounting to BD 256 thousand.

b) Changes in insurance assets and liabilities

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	15,873	11,696	4,177	14,746	9,852	4,894
IBNR	750	-	750	415	-	415
Total at beginning of the year	16,623	11,696	4,927	15,161	9,852	5,309
Change in liabilities	17,978	9,519	8,459	22,167	13,706	8,461
Claims settled	(22,925)	(13,580)	(9,345)	(20,705)	(11,862)	(8,843)
Balance as at 31 December	**11,676**	**7,635**	**4,041**	16,623	11,696	4,927
Reported claims	10,826	7,635	3,191	15,873	11,696	4,177
IBNR	850	-	850	750	-	750
Balance as at 31 December	**11,676**	**7,635**	**4,041**	16,623	11,696	4,927

c) Sensitivity analysis

The following tables provide an analysis of the sensitivity of profit or loss and total equity to changes in the assumptions used to measure 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.

	Statement of profit or loss & Equity	
	2015	2014
General Insurance		
Expense rate		
1 percent increase	(33)	(30)
1 percent decrease	33	30
Expected loss ratio		
1 percent increase	(77)	(71)
1 percent decrease	77	71
Life Assurance		
Demographic assumptions		
10 percent increase in base mortality and morbidity rates	(23)	(33)
10 percent decrease in base mortality and morbidity rates	23	33
Expense assumptions		
1 percent increase	(5)	(4)
1 percent decrease	5	4
Expected loss ratio		
1 percent increase	(8)	(13)
1 percent decrease	8	13

(In thousands of Bahraini Dinars)

14 OUTSTANDING CLAIMS (continued)

The Group has certain single insurance contracts which it considers as risks of high severity but very low frequency. The Group re-insures substantial parts 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, the Group's exposure to a single event is limited to BD 25 thousand.

d) Movements in outstanding claims

	Gross outstanding claims		Reinsurers' share		Net outstanding claims	
	2015	2014	**2015**	2014	**2015**	2014
At 1 January	16,623	15,161	11,696	9,852	4,927	5,309
(Release)/charge during the year	(4,947)	1,462	(4,061)	1,844	(886)	(382)
At 31 December	**11,676**	16,623	**7,635**	11,696	**4,041**	4,927

15 NET CHANGE IN RESERVES FOR UNEARNED INSURANCE PREMIUMS

	Unearned gross insurance premiums		Reinsurers' share		Net unearned premiums	
	2015	2014	**2015**	2014	**2015**	2014
At 1 January	11,519	10,599	5,683	4,444	5,836	6,155
Charge/(release) during the year	(164)	920	(781)	1,239	617	(319)
At 31 December	**11,355**	11,519	**4,902**	5,683	**6,453**	5,836

16 LIFE ASSURANCE ACTUARIAL RESERVE AND ACTUARIAL ASSUMPTIONS

	2015	2014
Life assurance actuarial reserve		
Balance at 1 January	3,219	3,133
Transfer of contributions	313	259
Payments of benefits	(134)	(191)
Release to statement of profit or loss	(98)	(178)
Policyholder's share of net investment income	83	196
Balance at 31 December	**3,383**	3,219
Life assurance actuarial reserve per statement of financial position	**3,383**	3,219
Actuarial estimate of the present value of future benefit obligations at 31 December	**3,366**	3,200

The actuarial estimate has been prepared by independent actuaries, Actuscope Consulting Actuaries, Lebanon (2014: Lux Actuaries & Consultants, Bahrain) the mortality and interest rate assumptions used were 50% of the 75-80 Ultimate Mortality US Table and 4.5% p.a. (2014: 100% of AM80 and 4.5% p.a). Allowances have been made for reinsurance, guaranteed bonuses, renewal expenses unexpired risks and contingencies where appropriate.

(In thousands of Bahraini Dinars)

17 INSURANCE PAYABLES

	2015	2014
Policyholders – Claims	258	840
Insurance and reinsurance companies	2,534	2,945
Balance at 31 December	**2,792**	3,785

Information about the Group's exposure to credit and market risks for insurance payables are included in Note 29.

18 BORROWINGS

	2015			2014		
	Bank loans	Bank Overdraft	Total	Bank loans	Bank Overdraft	Total
Balance at beginning of the year	500	-	500	1,000	-	1,000
Borrowings assumed on acquisition of a subsidiary	277	103	380	-	-	-
Proceeds	-	47	47	-	-	-
Repayments	(725)	-	(725)	(500)	-	(500)
Balance at the end of the year	**52**	**150**	**202**	500	-	500

In 2012, the Company had obtained a secured loan from a Bahraini bank for general corporate purposes. The loan amount was secured by a mortgage of the Company's title to its investment property in Sanad. The interest rate on this loan was 2.75% plus bank offered BHIBOR rate. The loan was repayable in 12 quarterly installments over a period of three years commenced from March 2013. The final installment was paid in December 2015.

Bank loan of BD 277 thousand and overdraft of BD 103 thousand were assumed on acquisition of iAssist Middle East WLL. The bank loan was obtained to finance corporate requirements of the subsidiary and is repayable in 12 quarterly instalments over a period of 3 years. It secured against mortgage of land in Salmabad. It bears interest at the rate of BHIBOR plus 2.5% per annum. The final installment falls due in June 2016.

The overdraft facility is obtained from the subsidiary's banker to finance working capital requirements, bears interest at a rate of BHIBOR plus 3.5% per annum and is secured against land and building assets of the subsidiary.

19 OTHER LIABILITIES

	2015	2014
Premiums received in advance	774	406
Vehicle repairers and spare parts	1,744	1,282
Medical claims care fund	427	-
Accrued expenses	107	117
Unclaimed dividends - prior years	290	221
Provision for employees' benefits	451	458
Employees' leaving indemnities	354	314
Other	1,389	914
Balance at 31 December	**5,536**	3,712

(In thousands of Bahraini Dinars)

20 RETIREMENT BENEFITS COST

The Group employed 156 Bahrainis (2014: 139 Bahrainis) and 61 expatriates (2014: 31 expatriates) as at 31 December 2015.

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 2015 amounted to BD 221 thousand (2014: BD 210 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 2015 amounted to BD 56 thousand (2014: BD 78 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 2015 amounted to BD 589 thousand (2014: BD 545 thousand) and is included in the Life assurance actuarial reserve (refer note 16). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (refer note 5 d).

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.

Employees' leaving indemnities

	2015	2014
At beginning of year	314	325
Indemnities and advances paid	(44)	(49)
Charge to statement of profit or loss	84	38
Balance at 31 December	**354**	314

21 SHARE CAPITAL

	2015		2014	
	Number	**Amount**	Number	Amount
a) Authorised shares 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.

	2015		2014	
	Number	**Amount**	Number	Amount
Balance at the beginning of the 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

(In thousands of Bahraini Dinars)

21 SHARE CAPITAL (continued)

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

	2015	2014
Basic earnings per share – fils	37.8	33.6
Proposed cash dividend – fils	20.0	20.0
Net asset value – fils	445.0	446.1
Stock exchange price at 31 December – fils	420.0	432.0
Market capitalization at 31 December – in thousands of BD	47,670	49,032
Price/Earnings ratio at 31 December	11.1	12.0

e) Earnings per share

The calculation of earnings per share is based on the net profit attributable to the shareholders for the year of BD 4,049 thousand (2014: BD 3,606 thousand), attributable to 107,246,184 (2014: 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 (%)**
Yusuf Abdulla Amin	Bahraini	12,475,180	10.99
National Insurance Company	Iraqi	7,436,890	6.55
Abdulhameed Zainal Mohamed Zainal	Bahraini	6,556,610	5.78
Bahrain National Holding Co. (Treasury shares)	Bahraini	6,253,816	5.51

g) 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. The share premium is also include BD 29 thousand (2014: BD 29 thousand) being the share of the group in the share premium account of an associate.

h) Additional information on shareholding pattern

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

(In thousands of Bahraini Dinars)

21 SHARE CAPITAL (continued)

Categories	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	611	53,128,403	46.81
1 % up to less than 5 %	13	27,649,101	24.36
5 % up to less than 10 %	3	20,247,316	17.84
More than 10%	1	12,475,180	10.99
TOTAL	**628**	**113,500,000**	**100.00**

22 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) General reserves

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

c) 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 statement of profit or loss.

23 PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2015	2014
Profit as per consolidated statement of profit or loss	4,204	3,824
Net profit attributable to non-controlling interest	(155)	(218)
Profit attributable to shareholders of parent company	**4,049**	3,606
Proposed appropriations:		
Dividend to shareholders	2,145	2,145
Donations	20	20
Retained earnings	1,884	1,441
	4,049	3,606

Proposed director's remuneration is BD 114 thousands (2014: BD 109 thousands). The appropriation of the 2015 profit is subject to approval by shareholders at the annual general meeting.

(In thousands of Bahraini Dinars)

24 GROSS INSURANCE PREMIUMS

	2015	2014
Direct Business	27,406	24,437
Inward Business	995	1,293
Total	**28,401**	25,730

25 NET COMMISSION AND FEE (EXPENSE) / INCOME

	2015	2014
Commission and fee income	1,553	1,576
Adjustment for unearned commission income	116	(62)
Commission expenses	(1,479)	(1,447)
Adjustment for deferred commission expense	(243)	295
Net commission and fee (expense) / income	**(53)**	362

Movements in unearned commission income and deferred commission expense:

	Unearned commission income		Deferred commission expense	
	2015	2014	**2015**	2014
At 1 January	474	412	853	558
(Release)/charge during the year	(116)	62	(243)	295
At 31 December	**358**	474	**610**	853

26 NET INVESTMENT INCOME

	2015	2014
Net losses on disposal of available-for-sale securities	(188)	(29)
Transfer from other comprehensive income on disposal of available-for-sale securities	1,364	1,338
Valuation (losses)/gains on trading securities	(153)	233
Foreign exchange gains/(losses)	18	(2)
Amortisation of premiums on held-to-maturity securities	(16)	(8)
Interest income	684	779
Dividend income	724	669
Provision for impairment on investment	(111)	(187)
Investment administration expenses	(82)	(90)
Policyholders' share of investment income	(83)	(196)
Rental income	194	184
Depreciation charges on investment properties	(162)	(157)
Investment properties' maintenance expenses	(97)	(102)
Net investment income	**2,092**	2,432

(In thousands of Bahraini Dinars)

27 EXPENSES

a) General and administration expenses:

	2015	2014
Employee costs	2,192	1,812
Depreciation and amortisation	409	307
Other costs	1,492	1,250
Total	**4,093**	3,369

a) Corporate expenses:

	2015	2014
Employee costs	1,194	1,230
Depreciation and amortisation	152	243
Other costs	410	549
Total	**1,756**	2,022

28 SEGMENTAL INFORMATION

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

The Motor & Commercial Insurance segment comprises property, general accidents, engineering, marine, aviation, motor and services related to motor.

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 2015	Motor & Commercial Insurance	Life Assurance and Medical	Corporate	Total
Gross insurance premiums	**22,956**	**5,445**	**-**	**28,401**
Net premiums earned	**12,754**	**2,072**	**-**	**14,826**
Net claims	(7,664)	(795)	-	(8,459)
General and administration expenses	(3,623)	(470)	-	(4,093)
Net commission and fee income/(expenses)	362	(415)	-	(53)
Life actuarial reserve release	-	98	-	98
Underwriting profits	**1,829**	**490**	**-**	**2,319**
Net investment income	1,855	311	(74)	2,092
Share of profit of equity accounted investees	296	-	1,253	1,549
Corporate expenses	-	-	(1,756)	(1,756)
Segment results	**3,980**	**801**	**(577)**	**4,204**

(In thousands of Bahraini Dinars)

28 SEGMENTAL INFORMATION (continued)

31 December 2015	Motor & Commercial Insurance	Life Assurance and Medical	Corporate	Total
Cash and balances with banks	8,605	2,077	256	10,938
Insurance and other receivables	6,810	1,062	58	7,930
Reinsurers' share of technical reserves	11,153	1,384	-	12,537
Deferred acquisition cost	467	143	-	610
Financial investments	18,486	11,378	1	29,865
Equity accounted investees	1,363	-	12,443	13,806
Investment properties	-	-	3,261	3,261
Intangible assets	151	80	88	319
Property and equipment	1,793	11	1,827	3,631
Statutory deposits	75	50	-	125
Total assets	**48,903**	**16,185**	**17,934**	**83,022**
Insurance technical reserves	21,205	5,567	-	26,772
Insurance payables	2,308	484	-	2,792
Borrowings	202	-	-	202
Other liabilities	3,287	1,039	1,210	5,536
Total liabilities	**27,002**	**7,090**	**1,210**	**35,302**

31 December 2014	Motor & Commercial Insurance	Life Assurance and Medical	Corporate	Total
Gross insurance premiums	21,935	3,795	-	25,730
Net premiums earned	11,478	2,214	-	13,692
Net claims	(7,137)	(1,324)	-	(8,461)
General and administration expenses	(2,758)	(611)	-	(3,369)
Net commission and fee income/(expenses)	437	(75)	-	362
Life actuarial reserve release	-	178	-	178
Underwriting profits	2,020	382	-	2,402
Net investment income	1,845	669	(82)	2,432
Share of profit of equity accounted investees	216	-	796	1,012
Corporate expenses	-	-	(2,022)	(2,022)
Segment results	4,081	1,051	(1,308)	3,824

(In thousands of Bahraini Dinars)

28 SEGMENTAL INFORMATION (continued)

31 December 2014	Motor & Commercial Insurance	Life Assurance and Medical	Corporate	Total
Cash and balances with banks	6,327	2,563	326	9,216
Insurance and other receivables	6,080	842	73	6,995
Reinsurers' share of technical reserves	15,697	1,682	-	17,379
Deferred acquisition cost	788	65	-	853
Financial investments	23,081	10,590	1	33,672
Equity accounted investees	1,252	-	12,163	13,415
Investment properties	-	-	2,969	2,969
Intangible assets	170	134	26	330
Property and equipment	310	10	2,401	2,721
Statutory deposits	75	50	-	125
Total assets	53,780	15,936	17,959	87,675
Insurance technical reserves	26,325	5,510	-	31,835
Insurance payables	2,814	971	-	3,785
Borrowings	-	-	500	500
Other liabilities	2,270	320	1,122	3,712
Total liabilities	31,409	6,801	1,622	39,832

Geographical information

31 December 2015	**Bahrain**	**GCC**	**Other Countries**	**Total**
Gross insurance premiums	27,535	842	24	**28,401**
Non-current assets	25,816	11,292	9,969	**47,077**

31 December 2014	Bahrain	GCC	Other Countries	Total
Gross insurance premiums	24,835	847	48	25,730
Non-current assets	24,609	11,883	12,829	49,321

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

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

(In thousands of Bahraini Dinars)

29 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Insurance Risk Management

The activity of the Group is to issue contracts of insurance to its personal and corporate clients. The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount payable under the insurance contract resulting from such occurrence referred to as the claim. By the very nature of an insurance contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of insurance contracts are the frequency of occurrence of the insured events and the severity of resulting claims. The Group's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected by a comprehensive reinsurance program placed with highly reputable international reinsurers.

(i) Underwriting Policy

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

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

The subsidiary has in place detailed underwriting guidelines and retention policies and procedures which regulate the acceptance of these risks and limits who is authorized and accountable for concluding insurance and reinsurance contracts and at what terms and conditions. Compliance with these guidelines is regularly monitored and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines 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 Group has in place proportional facilities, referred to as treaties, which are used to transfer a proportion of the risks automatically subject to pre-agreed conditions with the reinsurers. The portion of the risk retained by the Group is also guided by a strict retention policy adopted by the Group. Any claim will be recovered in the same proportion. Furthermore the Group also has in place non-proportional treaties which pay a proportion of losses above a pre-agreed priority level for each loss or an aggregation of losses arising out of one event. The placements of reinsurance contracts are diversified with a panel of internationally reputed reinsurers so that the Group is not dependent on a single reinsurer or a reinsurance contract. The Group also transfers risk on a case by case basis referred to as facultative reinsurance. This is used in cases when the risk under consideration is either too large for the treaty capacities or else has risks which are excluded from the treaties. In this case the Group seeks internationally rated reinsurers but also places some small shares in the local markets as exchange of business.

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

(In thousands of Bahraini Dinars)

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

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

(iii) 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 2015	**General Insurance**	**Life Assurance**	**Total**
Geographical area			
Bahrain:			
Gross insurance premiums	25,680	1,855	27,535
Retained premiums	14,626	726	15,352
Other countries:			
Gross insurance premiums	866	-	866
Retained premiums	91	-	91
Total			
Gross insurance premiums	**26,546**	**1,855**	**28,401**
Retained premiums	**14,717**	**726**	**15,443**

31 December 2014	General Insurance	Life Assurance	Total
Geographical area			
Bahrain:			
Gross insurance premiums	23,178	1,657	24,835
Retained premiums	12,467	825	13,292
Other countries:			
Gross insurance premiums	895	-	895
Retained premiums	81	-	81
Total			
Gross insurance premiums	24,073	1,657	25,730
Retained premiums	12,548	825	13,373

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 non-controlling interests.

The Group's objectives for managing capital are:

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

(In thousands of Bahraini Dinars)

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

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 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.

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's Audit, Compliance and Risk Committee on its activities.

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

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

(i) Credit risk

Credit risk is the risk that one party will fail to discharge its obligations causing the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are:
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- statutory deposits;
- cash and placements with banks and financial institutions; and
- financial investments - debt instruments.

(In thousands of Bahraini Dinars)

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

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

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

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

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

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

	2015	2014
Financial assets		
Receivables:		
- Policyholders	2,605	2,075
- Insurance and reinsurance companies	3,889	3,988
- Others	1,266	798
Financial investment securities:		
- Fair value through profit or loss - debt instruments	688	312
- Available-for-sale debt instruments	4,974	4,298
- Held to maturity securities	4,952	5,028
Balances with banks	10,932	9,210
Statutory deposits	125	125
	29,431	25,834

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

Concentrations of credit risk
The Group monitors concentrations of exposures by industry sector and geographic location of the counterparty as well as by individual counterparties. Counterparty concentration occurs mainly because of the investment management accounts maintained with the various investment bankers. Geographical concentrations at the reporting date have been presented in Note 31.

(In thousands of Bahraini Dinars)

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

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

	2015	2014
Government of Bahrain - debt instruments	**4,390**	2,907
Ahli United Bank	**3,301**	628
Habib Bank Limited	**2,001**	939
United Bank Limited	**1,931**	808
State Bank of India	**814**	1,000
National Bank of Bahrain	**797**	1,180
Al-Salam Bank	**769**	1,494
Securities & Investment Company	**698**	1,201

Assets that are past due

The Group has insurance and other receivables that are past due but not impaired at the reporting date. The Group believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Group. 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 2015	**Less than 90 days**	**91–180 days**	**More than 180 days**	**Gross Amount**	**Provision for impairment**	**Total**
Receivables:						
- Policyholders	1,633	450	522	314	(314)	2,605
- Insurance and Reinsurance companies	1,027	491	2,371	321	(321)	3,889
- Others	1,266	-	-	-	-	1,266
Total	**3,926**	**941**	**2,893**	**635**	**(635)**	**7,760**

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		
31 December 2014	Less than 90 days	91–180 days	More than 180 days	Gross Amount	Provision for impairment	Total
Receivables:						
- Policyholders	1,140	425	510	301	(301)	2,075
- Insurance and Reinsurance companies	819	475	2,694	200	(200)	3,988
- Others	798	-	-	-	-	798
Total	2,757	900	3,204	501	(501)	6,861

(In thousands of Bahraini Dinars)

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

(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 regular basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Group does not normally resort to borrowings but, given its gearing, has the ability to raise funds from banks at short notice. The maturity profile of the Group's investments is set out in note 30.

Management of liquidity risk

The Group limits liquidity risks by continually reconciling the cash flows and assets of the Group with payment liabilities. Methodologies adopted for Group assets and liabilities valuation have been 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 liquidity of investment in the portfolio apart from a minimum liquidity reserve that is updated every quarter by the risk management department based on rolling cash flows trends.

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

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

Exposure to liquidity risk

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

31 December 2015		**Contractual undiscounted cash flows**			
Financial liabilities	**Carrying amount**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Policyholders' liabilities	258	258	-	-	-
Insurance/reinsurance companies	2,534	2,534	-	-	-
Borrowings	202	202	-	-	-
Other payables	5,182	5,182	-	-	-

31 December 2014		Contractual undiscounted cash flows			
Financial liabilities	Carrying amount	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
Policyholders' liabilities	840	840	-	-	-
Insurance/reinsurance companies	2,945	2,945	-	-	-
Borrowings	500	500	-	-	-
Other payables	3,398	3,398	-	-	-

(In thousands of Bahraini Dinars)

29 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 31.

Management of market risks

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

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

Interest rate risk

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

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

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

	2015		2014	
	Aggregate principal	**Effective rate**	Aggregate principal	Effective rate
Cash and short-term deposit	11,057	0.90 %	9,335	1.48 %
Bonds	10,614	5.58 %	9,368	6.55 %

Derivatives:

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As protection against exchange rate fluctuations, the Group backs its insurance commitments to a very large extent by funds in the same currency.

The Group has deposits and investments in currencies other than Bahraini dinars and United States dollars. The 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 is summarised below:

(In thousands of Bahraini Dinars)

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

Net currency-wise concentration in thousands of Bahraini dinar equivalents

Financial Assets	2015	2014
Euros	573	441
Pounds sterling	271	623
Other currencies	233	205
Total open foreign exchange position at 31 December	**1,077**	1,269
United States dollars	21,353	24,306
GCC Currencies	9,685	10,879
Bahraini dinars	30,379	26,835
Balance at 31 December	**62,494**	63,289
This comprises:		
Financial investments	29,865	33,672
Equity accounted investees	13,806	13,415
Cash and balances with banks	10,938	9,216
Statutory deposits	125	125
Receivables:		
Policyholders	2,605	2,075
Insurance and reinsurance companies	3,889	3,988
Others	1,266	798
Balance at 31 December	**62,494**	63,289

Financial Liabilities	2015	2014
Bahraini dinars	7,679	6,822
United States dollars	291	706
GCC Currencies	151	139
Pounds sterling	43	-
Euros	3	-
Other currencies	9	16
Balance at 31 December	**8,176**	7,683
This comprises:		
Policyholders liabilities	258	840
Insurance/reinsurance companies payables	2,534	2,945
Other payables	5,182	3,398
Borrowings	202	500
Balance at 31 December	**8,176**	7,683

(In thousands of Bahraini Dinars)

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

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

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

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

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

	2015		2014	
Financial assets and liabilities	**Statement of profit or loss**	**Equity**	Statement of profit or loss	Equity
US Dollars	67	143	90	153
Euro	1	2	-	4
Pounds Sterling	1	5	-	6
GCC currencies	66	29	72	37
Other currencies	1	1	1	2

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

	2015		2014	
31 December	**Statement of profit or loss**	**Equity**	Statement of profit or loss	Equity
Interest rate risk				
+ 1 percent shift in yield curves	130	537	18	313
- 1 percent shift in yield curves	(130)	(537)	(18)	(313)
Equity price risk				
+1 percent increases in equity prices	8	95	9	122
-1 percent decrease in equity prices	(8)	(95)	(9)	(122)

(In thousands of Bahraini Dinars)

30 MATURITY PROFILE OF INVESTMENTS

2015	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years/no maturity	Total
Equities	-	-	-	9,239	9,239
Government bonds	200	2,673	1,474	446	4,793
Corporate bonds	1,066	2,759	668	640	5,133
Managed funds	-	-	-	3,563	3,563
Unquoted equities & funds	-	-	-	4,473	4,473
Equity accounted investees	-	-	-	13,806	13,806
Total	**1,266**	**5,432**	**2,142**	**32,167**	**41,007**

This balance comprises:

Available-for-sale securities	22,249
Held-to-maturity securities	4,952
Equity accounted investees	13,806
Total	**41,007**

2014	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years/ no maturity	Total
Equities	-	-	-	12,056	12,056
Government bonds	74	1,410	1,703	362	3,549
Corporate bonds	1,016	2,298	2,464	-	5,778
Managed funds	-	-	-	6,267	6,267
Unquoted equities & funds	-	-	-	3,201	3,201
Equity accounted investees	-	-	-	13,415	13,415
Total	1,090	3,708	4,167	35,301	44,266

This balance comprises:

Available-for-sale securities	25,823
Held-to-maturity securities	5,028
Equity accounted investees	13,415
Total	44,266

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.

(In thousands of Bahraini Dinars)

31 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2015	2014
Bahrain	20,194	20,618
Other GCC countries	12,431	12,719
North America	4,421	6,307
Europe	2,825	2,914
Japan and Korea	158	156
Other Asia/Oceania	1,169	954
Global/multi-regional	2,473	3,419
Total	**43,671**	47,087

This comprises:

Securities carried at fair value through profit or loss	2,664	2,821
Available-for-sale securities	22,249	25,823
Held-to-maturity securities	4,952	5,028
Equity accounted investees	13,806	13,415
Total	**43,671**	47,087

Investment income by segment

	2015	2014
Bahraini listed equities	1,128	967
Other equities	512	809
Government and corporate bonds	489	618
Managed funds	194	441
Cash and short-term deposits	110	145
Investment properties	194	184
Gross investment income	**2,627**	3,164
Provision for impairments on investments	(111)	(187)
Investment administration expenses	(82)	(90)
Policyholders' share of net investment income	(83)	(196)
Depreciation charges on investment properties	(162)	(157)
Investment properties' maintenance expenses	(97)	(102)
Net investment income	**2,092**	2,432

(In thousands of Bahraini Dinars)

32 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:

		2015	2014
a)	**Assets**		
	Receivables from companies in which directors held an interest	273	107
	Receivables from associates	317	309
b)	**Liabilities - payables**		
	Payables to companies in which directors held an interest	1,011	704
	Payables to associates and joint-venture	3	20
c)	**Income and expenses**		
	Gross insurance premiums	1,772	2,010
	Reinsurer share of gross insurance premiums	-	385
	Claims	1,150	1,808

d) Transactions with key management personnel

Key management personnel of the Group comprise of the Chief Executive, 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:

	2015	2014
Salaries and allowances	549	442
Terminal benefits	30	47
Other benefits	28	14
Board remuneration	114	109

(In thousands of Bahraini Dinars)

33 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.

2015	**Fair value through the statement of profit or loss**	**Available-for- sale**	**Held-to-maturity**	**Loans and receivables**	**Total carrying value**	**Fair value**
Cash and balances with banks	-	-	-	10,938	10,938	10,938
Insurance and other receivables	-	-	-	7,760	7,760	7,760
Financial investments	2,664	22,088	4,952	-	29,704	29,879
Total financial assets	**2,664**	**22,088**	**4,952**	**18,698**	**48,402**	**48,577**
Borrowings	-	-	-	202	202	202
Insurance payables	-	-	-	2,792	2,792	2,792
Other liabilities	-	-	-	5,182	5,182	5,182
Total financial liabilities	**-**	**-**	**-**	**8,176**	**8,176**	**8,176**

2014	Fair value through the statement of profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Total carrying value	Fair value
Cash and balances with banks	-	-	-	9,216	9,216	9,216
Insurance and other receivables	-	-	-	6,861	6,861	6,861
Financial investments	2,821	25,642	5,028	-	33,491	33,841
Total financial assets	2,821	25,642	5,028	16,077	49,568	49,918
Borrowings	-	-	-	500	500	500
Insurance payables	-	-	-	3,785	3,785	3,785
Other liabilities	-	-	-	3,398	3,398	3,398
Total financial liabilities	-	-	-	7,683	7,683	7,683

Fair value hierarchy

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

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

(In thousands of Bahraini Dinars)

33 FAIR VALUE MEASUREMENT (continued)

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 Group considers relevant and observable market prices in its valuations where possible.

2015	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Available-for-sale investments	17,776	4,312	-	22,088	22,088
Securities carried at fair value through profit or loss	2,541	123	-	2,664	2,664
	20,317	**4,435**	**-**	**24,752**	**24,752**

2014	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	22,622	3,020	-	25,642	25,642
Securities carried at fair value through profit or loss	2,781	40	-	2,821	2,821
	25,403	3,060	-	28,463	28,463

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

34 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group has commitments to make investments amounting to BD 57 thousand (2014: BD 103 thousand).

The Capital commitments as at the reporting date amounted to BD 59 thousand of which BD 7 thousand is related to development of new software and BD 52 thousand to purchase new equipment (2014: BD 112 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.