BNH

BEYOND THE HORIZON

Bahrain National Holding

Annual Report | **2020**

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander & the Prime Minister of Bahrain

BAHRAIN NATIONAL HOLDING B.S.C

MINUTES OF ANNUAL ORDINARY GENERAL ASSEMBLY MEETING
HELD ON THE 31ST APRIL 2020

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GROUP OVERVIEW

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

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

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

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

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

VISION

Creating prosperity through security

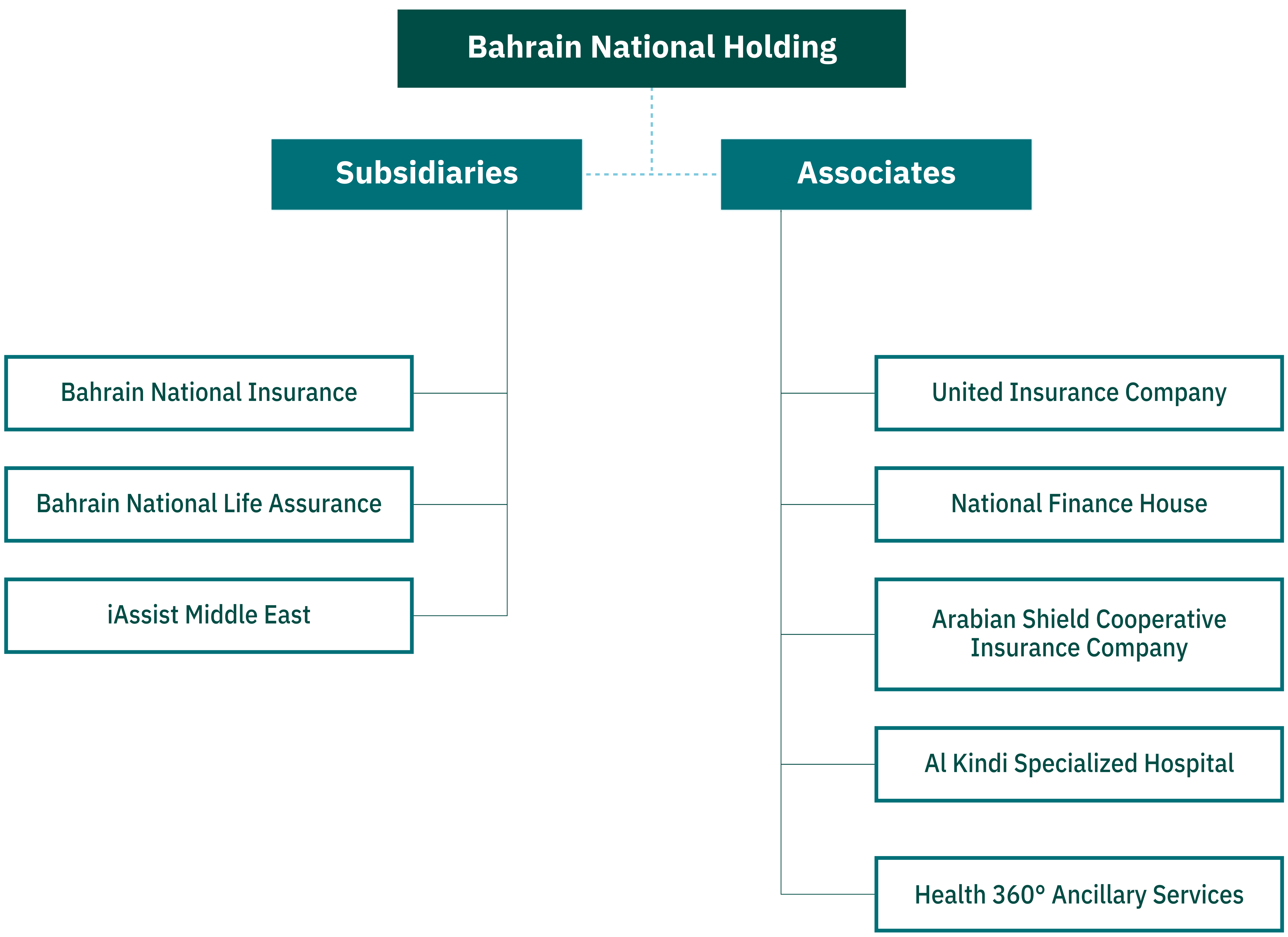
MISION

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

VALUE

Integrity, Excellence, Pioneering

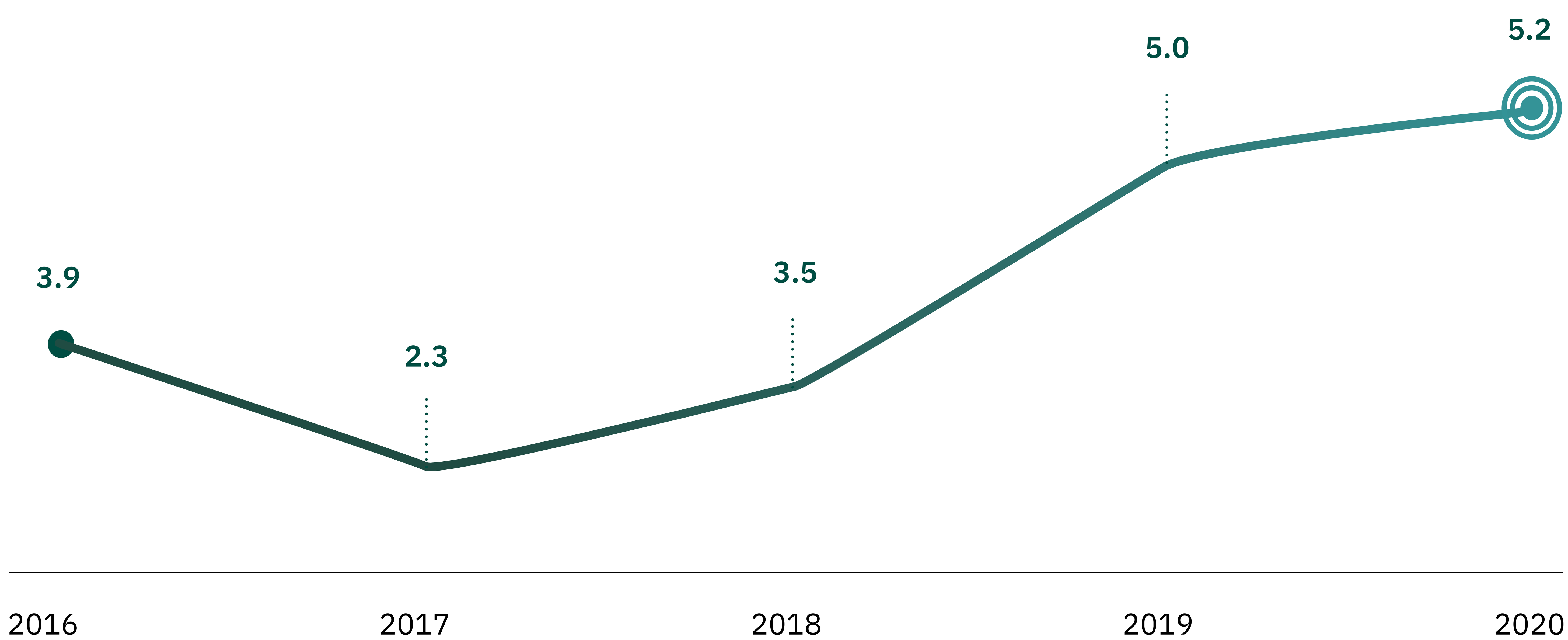
GROUP STRUCTURE



FINANCIAL HIGHLIGHTS

Net Profit
BHD Millions

5.2m



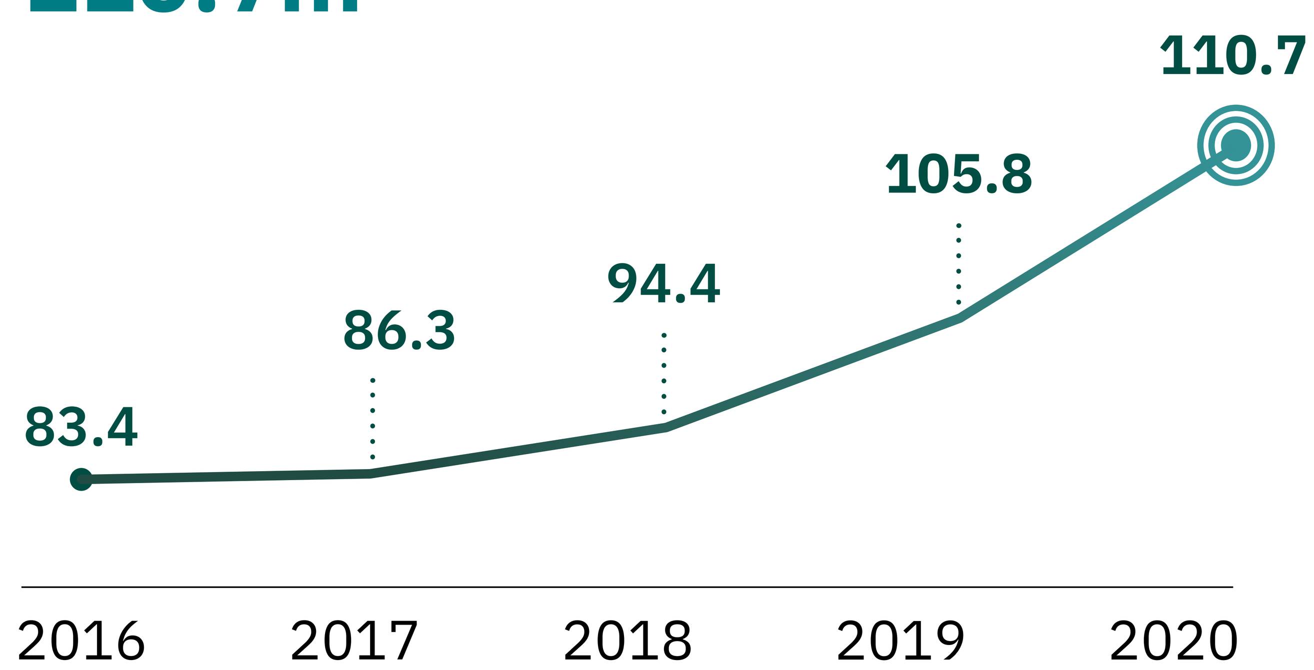
BNH Financial Highlights from 2010 to 2020

BHD millions

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Profit	**5.2**	5.0	3.5	2.3	3.9	4.2	3.8	3.0	2.3	3.3	3.8
Total Assets	**110.7**	105.8	94.4	86.3	83.4	83.0	87.7	83.2	76.8	71.6	74.1
Total Equity	**60.5**	56.7	51.4	50.3	49.1	47.7	47.8	45.3	42.9	42.2	42.2
Gross premiums	**36.7**	33.8	33.6	28.9	27.6	28.4	25.7	24.9	23.3	21.9	23.1
Net Earned Premiums	**16.5**	17.5	16.7	15.8	15.0	14.8	13.7	14.3	14.3	13.4	13.6
Market Capitalisation	**41.7**	39.3	42.9	48.8	47.8	47.8	49.0	56.8	44.7	46.3	46.1
Earning per Share (in Fils)	**43.8**	42.6	29.4	18.8	36.2	37.8	33.6	27.8	20.1	29.2	34.7

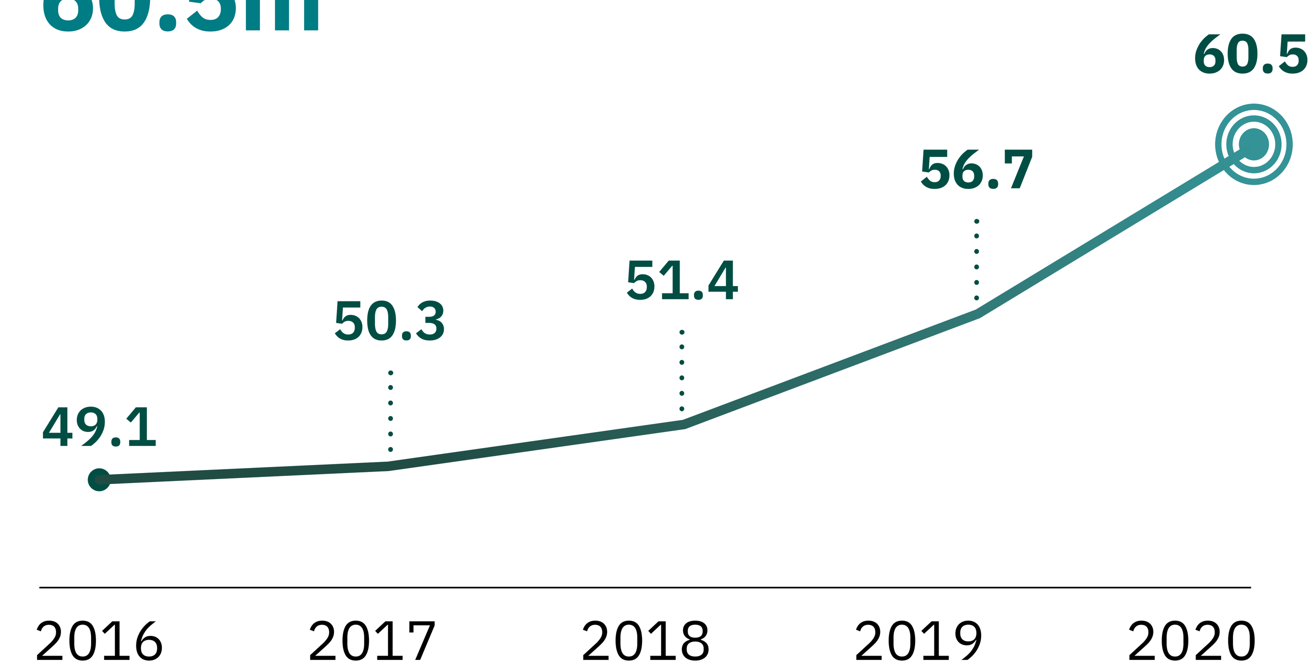
Totals Asset
BHD Millions

110.7m



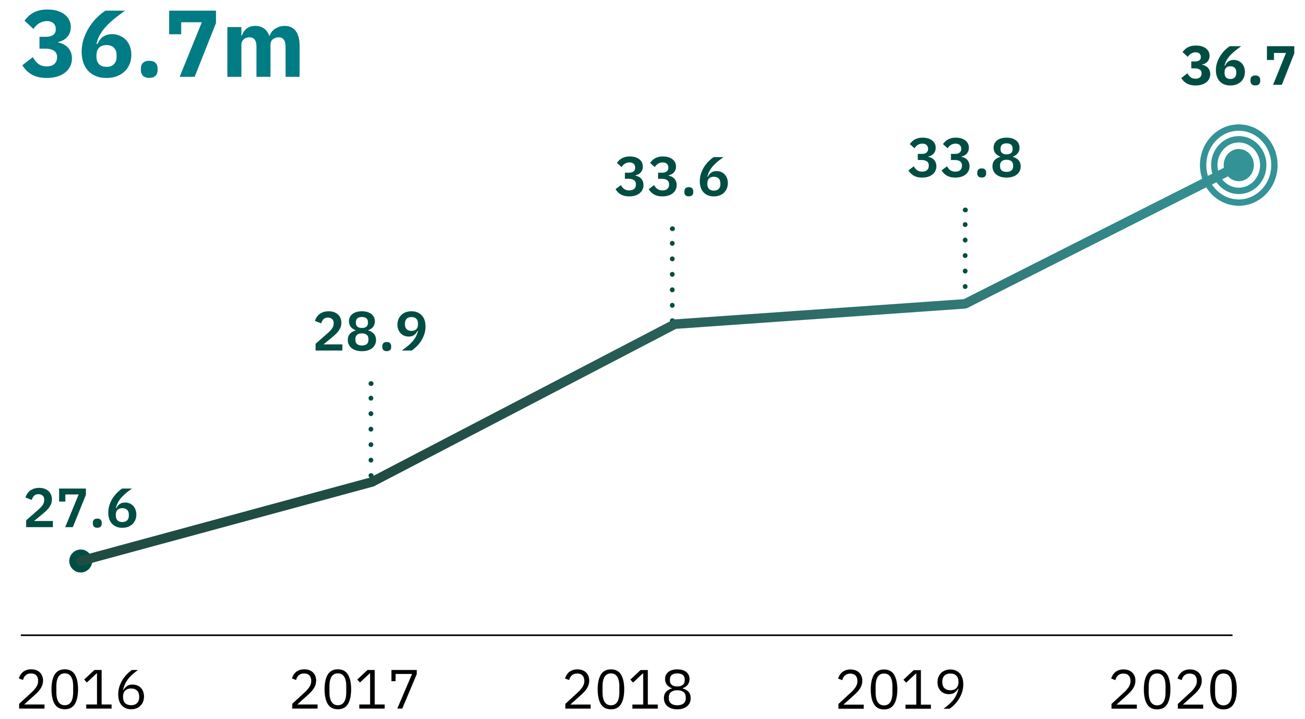
Total Equity
BHD Millions

60.5m



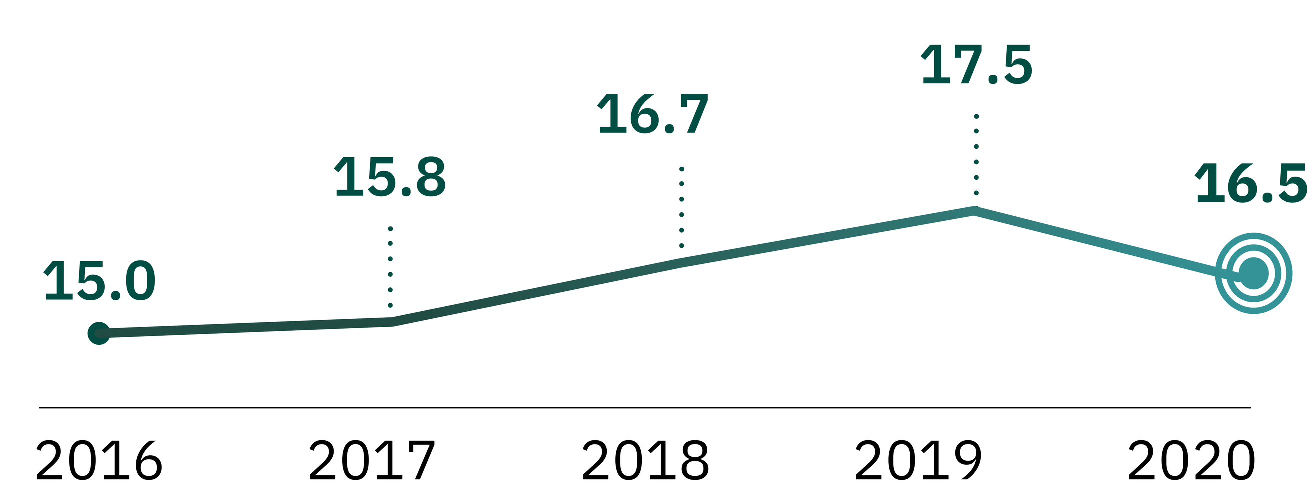
Gross Premiums
BHD Millions

36.7m



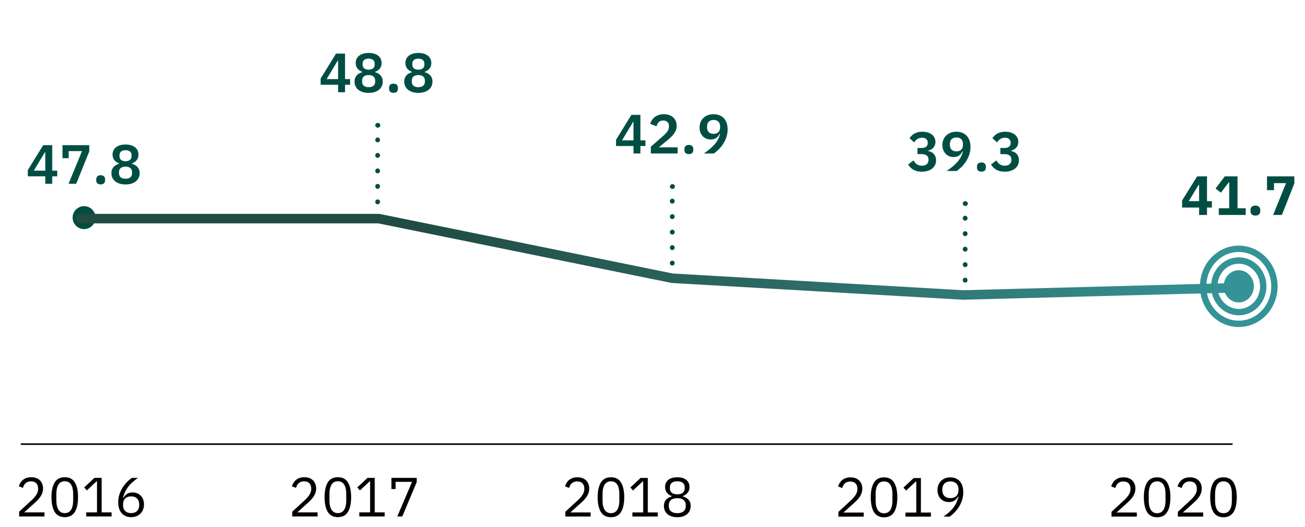
Net Earned Premiums
BHD Millions

16.5m



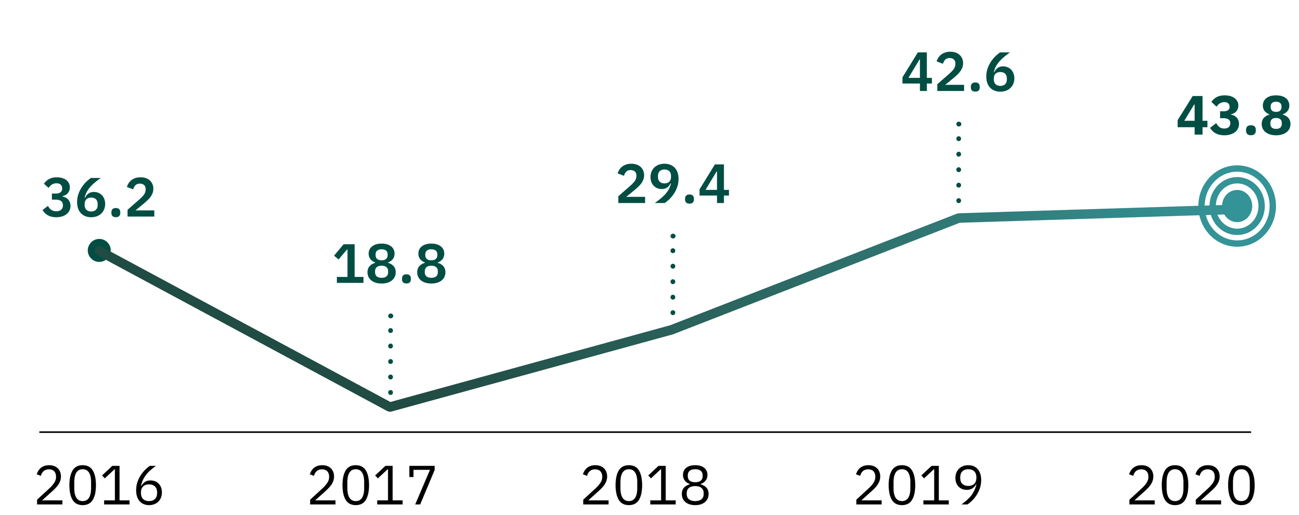
Market Capitalization
BHD Millions

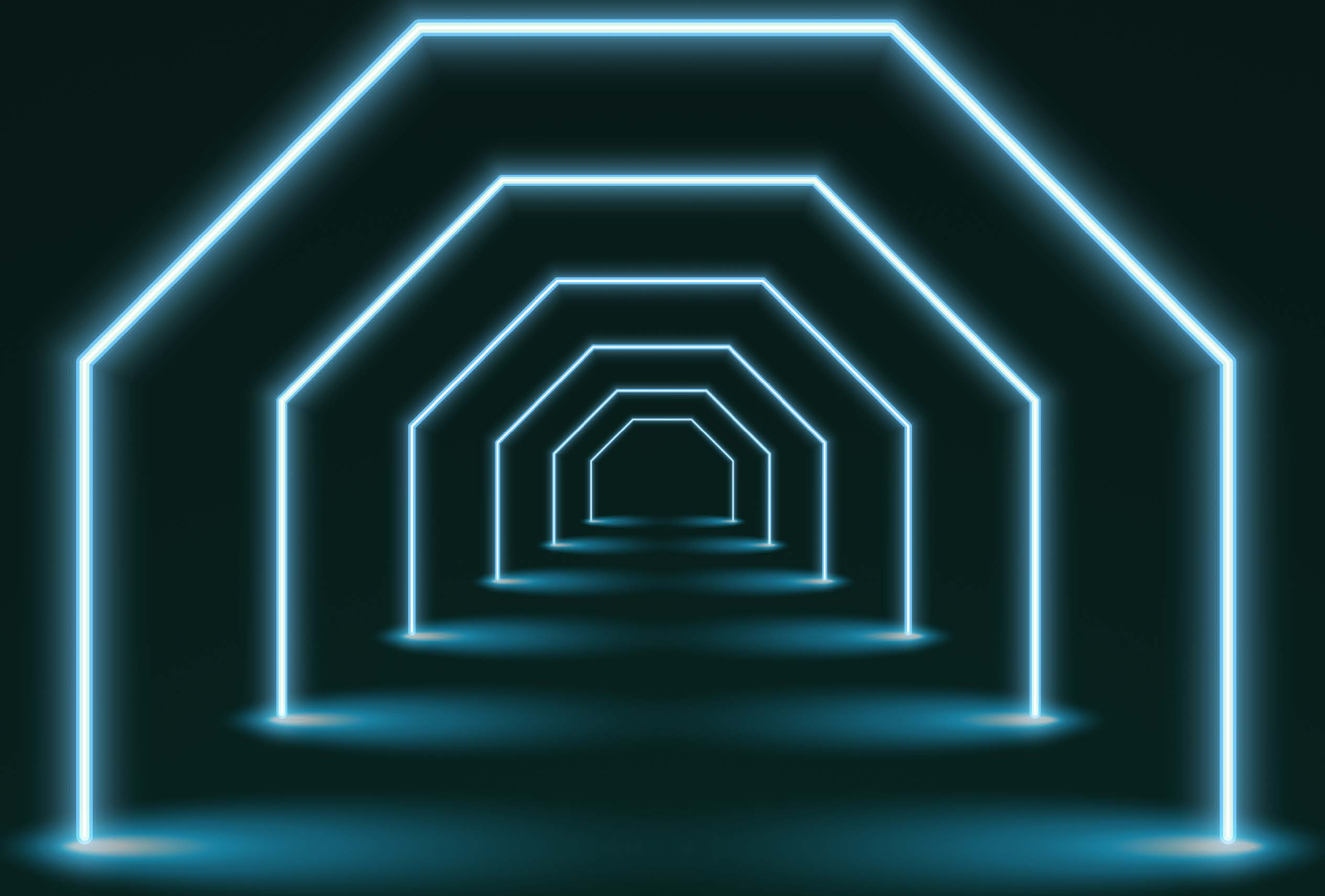
41.7m



Earning Per Share
in Fils

43.8 Fils





SWIFTLY DIRECTING
ON A STEADY PATH

BOARD OF DIRECTORS

Farooq Yusuf Almoayyed
Chairman

NATIONALITY Bahraini
Independent Non-Executive Director, Board Member since 2008

- Chairman of Nomination, Remuneration and Corporate Governance Committee of Bahrain National Holding.

CHAIRMAN
- Y. K. Almoayyed & Sons B.S.C. (c), Bahrain.
- Y. K. Almoayyed & Sons Property Co W.L.L., Bahrain.
- Almoayyed Contracting Group B.S.C. (c), Bahrain.
- National Bank of Bahrain B.S.C., Bahrain.
- Ashrafs, Bahrain.
- Bahrain Duty Free Shop Complex, Bahrain.
- Gulf Hotels Group, Bahrain.
- Ahlia University, Bahrain.
- Ibn Khuldoon National School - Board of Trustees, Bahrain.
  Small & Medium Enterprises

HONORARY CHAIRMAN
- Almoayyed International Group, Bahrain

DIRECTOR
- Economic Development Board, Bahrain.

Abdulhusain Khalil Dewani
Vice Chairman

NATIONALITY Bahraini
Non-Executive Director, Board Member since 1999

- Chairman of Bahrain National Insurance Company.
- Chairman of Executive & Investment Committee of Bahrain National Holding Company.
- Vice Chairman of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Holding Company.
- Chairman of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Insurance Company.

CHAIRMAN
- Dawani Group Holding B.S.C., Bahrain.
- Deeko Bahrain W.L.L., Bahrain.
- Dawanco W.L.L., Bahrain.
- Dawanco Industries W.L.L., Bahrain.
- Dawani Properties S.P.C., Bahrain.
- Tominna Trading W.L.L., Bahrain.
- Legend Paints Company W.L.L., Bahrain.
- Collection W.L.L., Bahrain.
- Bahrain Foundation Construction Company, Bahrain.
- Al Jazira Group, Bahrain.
- American Cultural & Educational Centre, Bahrain.
- Capital Laundry W.L.L

VICE CHAIRMAN
- Delmon Poultry Company W.L.L., Bahrain.

Abdulrahman Mohamed Juma
Director

NATIONALITY Bahraini
Non-Executive Director, Board Member since 1999

- Chairman of Bahrain National Life Assurance Company.
- Member of the Audit, Compliance & Risk Committee of Bahrain National Holding.
- Chairman of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Life Assurance Company.

PRESIDENT
- Abdulrahman bin Mohamed Juma & Sons W.L.L., Bahrain.

CHAIRMAN & MANAGING DIRECTOR
- UNEECO B.S.C. (C), Bahrain.

CHAIRMAN
- Prudent Solutions W.L.L., Bahrain
- Universal Laboratories W.L.L., Bahrain

VICE CHAIRMAN
- Prudent, Saudi Arabia J/V.

DIRECTOR
- Bin Juma Holding, Bahrain

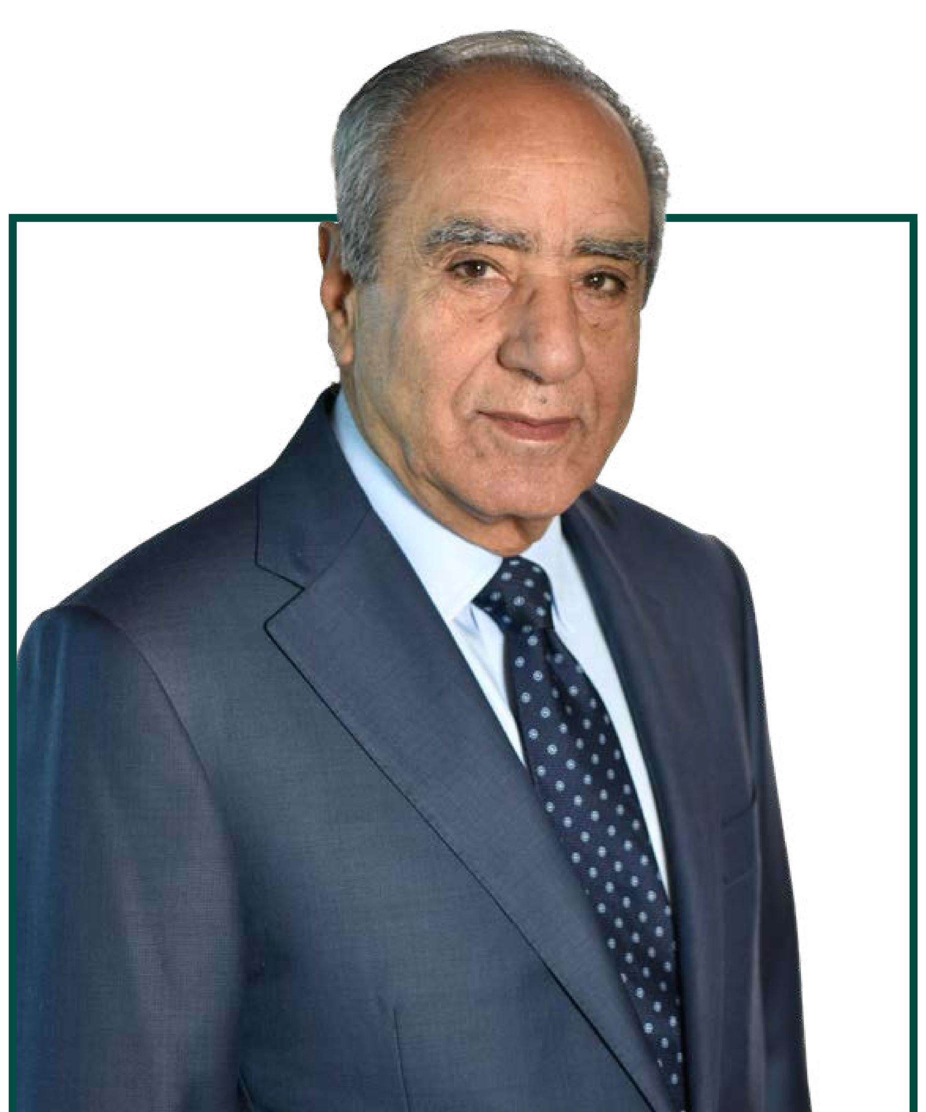
Jehad Yusuf Ameen
Director

NATIONALITY Bahraini
Independent Non-Executive Director, Board Member since 1999

- Vice Chairman Executive & Investment Committee of Bahrain National Holding Company.
- Member of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Holding Company.
- Director and Vice Chairman of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Insurance Company.
- Member of Executive & Investment Committee of Bahrain National Insurance.

VICE CHAIRMAN
- Banader Hotels Company B.S.C.

DIRECTOR
- General Company for Trading & Food Industries (TRAFCO), Bahrain.
- Bahrain Maritime & Mercantile International Company (BMMI), Bahrain.
- Bahrain Livestock, Bahrain.
- Bahrain Cinema Company B.S.C, Bahrain.
- United Insurance Company, Bahrain.
- Bahrain Duty Free Complex, Bahrain.
- Metro Market Company S.P.C, Bahrain.



Redha Abdulla Faraj
Director

NATIONALITY Bahraini
Independent Non-Executive Director,
Board Member since 2014

- Chairman of Audit, Compliance and Risk Committee of Bahrain National Holding Company.
- Member of Nomination, Remuneration and Corporate Governance Committee of Bahrain National Holding Company.
- Director and Chairman of Audit, Compliance and Risk Committee of Bahrain National Insurance Company.
- Director and Chairman of Audit, Compliance and Risk Committee of Bahrain National Life Assurance Company.
- Member of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Insurance Company.
- Member of Nomination, Remuneration & Corporate Governance Committee of Bahrain National Life Assurance Company.

MEMBER OF
- Shura Council, Bahrain

DIRECTOR
- Bahrain Maritime and Mercantile International (BMMI), Bahrain.
- Y.K. Almoayyed and Sons B.S.C.(c), Bahrain.
- Almoayyed International Group, Bahrain.
- Almoayyed Contracting Group, Bahrain.
- National Concrete Company W.L.L., Bahrain.
- Banader Hotels Company B.S.C., Bahrain.
- National Finance House, Bahrain.
- Minors Estate Guardianship Council, Bahrain.

FOUNDER OF
- Al Faraj Consulting Co. W.L.L., Bahrain.
- Al Faraj Horizon Developments Co. W.L.L., Bahrain.

Ghassan Qasim Fakhroo
Director

NATIONALITY Bahraini
Non-Executive Director, Board Member since 2008

- Director and Chairman of the Executive & Investment Committee of Bahrain National Insurance Company.

CHIEF EXECUTIVE
- Mohamed Fakhroo & Bros., Bahrain .

MANAGING DIRECTOR & PARTNER
- Fakhroo Information Technology Services, Bahrain.

DIRECTOR & PARTNER
- Qasim Mohamed Fakhroo & Sons W.L.L., Bahrain.
- Fakhroo Investment Company, Bahrain.
- Areej Trading Establishment, Bahrain.

BOARD MEMBER
- Alkindi Specialized Hospital, Bahrain.
- National Institute for Industrial Training, Bahrain.
- General Poultry Company B.S.C., Bahrain.
- National Poultry Company B.S.C, Bahrain.

Sami Mohamed Sharif Zainal
Director

NATIONALITY Bahraini
Non-Executive Director, Board Member since 2008

- Vice Chairman of Bahrain National Insurance Company.
- Vice Chairman of Executive & investment Committee of Bahrain National Insurance Company.
- Member of Audit, Compliance & Risk Committee of Bahrain National Insurance Company.

CHAIRMAN
- General Poultry Company, Bahrain.

DIRECTOR
- GCC Commercial Arbitration Centre, Bahrain.
- Zainal Enterprises, Bahrain.
- Tony Luke's, Bahrain.
- Life Marketing S.P.C., Bahrain.

MARKETING DIRECTOR
- Mohamed Ali Zainal Abdulla (MAZA), Bahrain.

Talal Fuad Kanoo
Director

NATIONALITY Bahraini
Non-Executive Director, Board Member since 2008

CHAIRMAN
- National Finance House B.S.C. (c), Bahrain
- Gulf Medical Diabetes Center, Bahrain
- Bahrain Basketball Association, Bahrain

MANAGING DIRECTOR
- E. K. Kanoo B.S.C (c), Bahrain

DIRECTOR
- Supreme Council for Youth & Sports, Bahrain
- Injaz, Bahrain

Ali Hasan Mahmood
Director

NATIONALITY Bahraini
Non-Executive Director, Board Member since 1999 & Re-elected in 2011

- Member of the Audit, Compliance and Risk Committee of Bahrain National Holding Company.

VICE CHAIRMAN
- Jaffaria Waqf Directorate, Bahrain .

CHAIRMAN
- Euro Gulf Oil Energy Services, Bahrain.
- United International Décor W.L.L., Bahrain.
- Bed Center W.L.L., Bahrain.
- United Marketing International Company W.L.L., Bahrain

CHAIRMAN & MANAGING DIRECTOR
- Hasan & Habib s/o Mahmood Group of Companies, Bahrain.
- Al Jazeera Shipping Company. W.L.L., Bahrain.

DIRECTOR
- Bahrain Specialist Hospital, Bahrain.

MEMBER
- Bahrain Standards and Metrology Directorate – Ministry of Industry, Commerce & Tourism, Bahrain.
- Bahrain Businessmen Association, Bahrain.

Ayad Saad Algosaibi
Director

NATIONALITY Bahraini
Independent Non-Executive Director, Board Member since 2008

- Vice Chairman of the Audit, Compliance & Risk Committee of Bahrain National Holding Company .
- Director and Vice Chairman of Audit, Compliance & Risk Committee of Bahrain National Insurance Company.
- Director and Vice Chairman of Audit, Compliance & Risk Committee of Bahrain National Life Assurance Company.

VICE CHAIRMAN
- Khalifa A. Algosaibi Investment Co. CJSC, Dammam, Saudi Arabia.

CHAIRMAN'S MESSAGE

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It is a matter of immense pleasure and satisfaction to report that the Group reached another milestone, by registering a profit of BD 5.21 million. In 2020, your Group surpassed the 2019 Net profit of BD 5.03 million, which was the highest recorded profit since 2009.

Farooq Yusuf Almoayyed
Chairman of the Board

On behalf of the Board of Directors, I am pleased to share the Annual Report of Bahrain National Holding B.S.C. (BNH) for the financial year ended on 31 December 2020.

It would be an understatement to say that 2020 was a year unlike any we have seen in recent memory. The COVID19 pandemic was a test of resilience and adaptability at multiple levels, at the level of individuals, the Group, and Bahrain as a country. It is a matter of pride that we are on the path of recovery from the crisis. The government responded promptly by setting up a dedicated taskforce and announcing an economic stimulus package.

Bahrain's real GDP is estimated to have contracted by -5.4% in 2020, as the pandemic took a toll on the non-oil sector, particularly in the second quarter. COVID19 related restrictions has hit hotels, transport, and tourism services in general. Except for construction and government services, all sectors recorded a drop-in activity. Infection numbers started trending down due to the government's untiring efforts towards testing, tracing, and quarantine. These contributed to a broad-based revival in Q32020, spearheaded by the sectors that bore the brunt of the pandemic's impact. Despite the impact of interest waivers, the finance sector, the largest non-oil contributor to GDP, fell only by -1% in Q2 and staged a 3% recovery in Q3.

It is heartening to note the continued progress in the major projects, despite the pandemic. BAPCO's expansion project is nearly 60% complete and remains on track for completion by next year. We are witnessing increasing international interest in upstream oil, as evidenced by Eni, Italy's agreement for the joint study on Block2 and the over 60 oil companies in talks with Tatweer for developing the Khalij Al Bahrain field. GCC Development Fund project awards climbed by 8.5% to USD 5.1 billion. Bahrain successfully raised USD2 billion in May 2020 and again in September 2020 at competitive rates, lengthening its bond maturity profile. The intense interest shows continued international investor confidence in the progress with the fiscal balance program, despite the slight slippages resulting from the pandemic response.

Against this challenging background, it is a matter of immense pleasure and satisfaction to report that the Group reached another milestone, by registering a profit of BD 5.21 million. In 2020, your Group surpassed the 2019 Net profit of BD 5.03 million, which was the highest recorded profit since 2009. We acknowledge the impact of an unprecedented drop in claims because of the pandemic's effect on boosting our underwriting profits. However, we are gratified by our ability to retain our customers and grow the top line in a highly uncertain market environment where price sensitivity has only increased because of the pandemic. Our insurance subsidiaries managed to defend their market shares despite a highly competitive market.

All lines of business – Medical, Life, General – grew, except for Motor insurance. Despite the significant drop in motor vehicle demand, coupled with a shift in consumer preference to lower-priced vehicles and lower-priced insurance policies, the motor team at bni managed to defend market share and control the fall in premiums to only 5.4%, a creditable achievement. However, the motor segment was the most significant contributor to growth in underwriting profits, due to lower claims because of the reduced number of traffic accidents during the restrictions in the first half of 2020. We must highlight the bni motor team's extra-ordinary efforts to ensure continuity of service right through the severe disruptions witnessed during the year and the overall control on costs that played a significant role in their success. bnl's medical segment continues to grow from strength to strength, bagging large clients during the year while maintaining its underwriting discipline. Life business grew mostly on the credit life side, due to buoyant mortgage demand. A strong performance on the policyholder portfolio and lower liabilities because of claims and surrenders, resulted in a partial release of excess actuarial reserves.

Investment Income fell by 26.3% to BD 3.41 million, dragged down by the impact of COVID19 on our associates and limited profitable opportunities in regional markets that underperformed the international markets. Right through the crisis, the diversification of the marketable portfolio and higher than average cash levels, dampened the portfolio volatility, during the sharp falls in markets in Q2 of 2020. Some Bahrain listed equity and private equity exposures suffered sharp falls necessitating provisions and impacting the investment income.

Your Group continues to be conservatively reserved, with net technical reserves at a healthy 109% of net earned premium. The Group's shareholder equity has grown by 6.3% during the year to BD 57.3 million.

Our outlook for 2021 is mixed. While on one hand, the global economy faces headwinds due to the pandemic's continuing effects, new virus strains and lower business confidence. On the other, the roll-out of various vaccination programs and government support is a big positive. Bahrain has been leading the world in its vaccination program, thanks to the coordinated efforts of the various ministries and government bodies and the innovative use of the country's existing digital assets. Recent successful bond issues from Bahrain demonstrate the international market's confidence in its progress with the Fiscal Rebalance Program. We expect average oil prices to stabilize at USD 50 - USD 60 levels in 2021, providing a better backdrop for the local economy to bounce back.

Cost pressures might increase in 2021 due to additional expenses related to the transition to IFRS 17 and IFRS 9 accounting standards for all insurance players. The new standards are expected to go into effect from 2023 and envisage a more comparable presentation of insurance companies' performance, enhancing shareholder information and overall transparency. Long term impacts on the insurance sector, include a greater focus on appropriate pricing of insurance policies and internal performance indicators changes. Your Group completed its initial gap analysis study and submitted it to the regulator in Dec 2020. The next stage of design and implementation will involve a revamping of several internal processes and extensive employee training. We view this as an investment and an opportunity to improve our internal processes further to achieve our long-term vision.

We are pleased to inform you that our IT core system upgrade is progressing well despite the pandemic's challenges. Motor and medical lines have already gone live, and the remaining modules are expected to go live during 2021. This upgrade will add to our digitalization efforts to respond to the customers' needs for reliable and quick insurance services. Due to the pandemic, the Group had to pivot its training efforts to online courses and seminars. We are also pleased to report that several employees completed certifications in their related fields. We are grateful for the support offered by Tamkeen and other government agencies in this regard.

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 and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and 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, Commerce and Tourism, the Central Bank of Bahrain, Ministry of Finance and National Economy, Tamkeen and the Bahrain Bourse, for their guidance and continuous support.

Finally, I would also like to thank all our shareholders, customers and business partners for their continuous support and the Board of Directors, the Executive Management and all employees for their efforts and commitment during 2020.

Farooq Yusuf Almoayyed
Chairman of the Board

EXECUTIVE MANAGEMENT

Sameer AlWazzan
Chief Executive
Bahrain National Holding B.S.C.

An internationally recognized Veteran of the insurance industry for over 38 years.

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

Mr. Sameer AlWazzan is the Board Chairman and Chairman of the NRCG Committee of United Insurance Company, Board Vice-Chairman of Arabian Shield Cooperative Insurance Company (KSA) and a Board member of National Finance House and Al Kindi Specialised Hospital. He was also the Vice Chairman of Arab World Risk Insurance Syndicate – AWRIS, Independent Board Member at Al Madina Insurance Company – Oman, Doha Bank Assurance Company – Qatar, Saudi National Insurance Company – SNIC.

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

Mr. AlWazzan completed Management Studies from renowned institutions including Stanford University, California, USA, Manchester Business School, UK, Swansea Polytechnic, UK, Huddersfield Polytechnic, UK and University of Bahrain.

He joined BNH as Group Chief Executive in January 2014.

Masood Bader
Deputy Chief Executive
Bahrain National Holding

Masood Bader joined bni in 2010, bringing 24 years of insurance and reinsurance experience to the company. An accounting major, he started his career as a Claims Assistant with Arab Insurance Group (ARIG), working his way up to Executive Manager in charge of an international portfolio of Marine and Energy.

In the six years prior to joining bni, he worked as an Insurance and Reinsurance Broker, first for Arthur J. Gallagher Middle East as Regional Director, and then for AON Middle East as Vice President.

Mr. Masood has held several positions within the Group including Assistant General Manager of bni, General Manager of bni, acting Deputy CEO at BNH and in 2020 he was appointed Deputy CEO of the Group.

He currently holds board memberships in iAssist Middle East.

Anand Subramaniam
Chief Investment & Financial Officer
Bahrain National Holding

Anand Subramaniam has over 22 years of experience in the field of investments and asset management. He holds a Chartered Financial Analyst designation from the CFA Institute, USA and an MBA and BBA from Sardar Patel University, Gujarat, India. He also holds a Chartered Alternative Investment Analyst designation from the CAIA Association, USA. Prior to this, he was the Head of Investments at Bahraini Saudi Bank BSC and a Fund Manager at TAIB Bank BSC. He has previously worked with Fincorp SAOG as VP-Asset Management and Oman Arab Bank as an Investment Officer. He started his career as an equity researcher in India focusing on the IT, banking and cement sectors. He joined BNH in 2010, where he is responsible for managing the group's investment portfolio and overseeing the groups' finance functions.

Eman Mojali
General Manager
Bahrain National Insurance Co.

Eman Mojali is the General Manager overseeing Motor, Personal Lines and Commercial Insurance at Bahrain National Insurance (bni). Eman has been a part of bni since 1995, having over 26 years of experience in insurance. Her technical skills and experience, together with her talent for customer service, placed Eman in a position as General Manager. She has qualifications in Business Administration and Marketing from the University of Bahrain, ACII in Insurance from The Chartered Insurance Institute, Project Management Professional (PMP), Certified Productivity Improvement Practitioner (CPIP) and has also attended a number of technical, personal development and management courses.

Enas Asiri
General Manager
Bahrain National Life Assurance Co.

Enas Asiri joined Bahrain National Life Assurance (bnl) in September 2017. Following the completion of her Bachelor's degree in Occupational Therapy, Enas has pursued her insurance studies completing the Advanced Diploma of the Chartered Insurance Institute (ACII); and progressed to attain the Fellowship of the Chartered Insurance Institute (FCII) in 2015. She also holds Masters of Business Administration (MBA) from Strathclyde University. Prior to joining bnl, she was an Assistant Director in the Life and Medical Department at Arab Insurance Group (ARIG). She started her career in insurance in 2007 as part of Arig's prestigious Graduate Development Program, after which she has specialised in Life Underwriting, and has headed the Medical Reinsurance operations. In addition to her assigned responsibilities in risk management, business developments and exploring new markets; Enas participated on a regular basis in conducting training workshops set up by (ARIG) for its clients and also worked as a part-time lecturer at the Bahrain Institute for Banking and Financial Studies (BIBF) where she delivered insurance training courses.

CHIEF EXECUTIVE'S REPORT

It was a year when our systems, employees and processes were put to the test, and we had to adapt to rapidly changing conditions. I am happy to report that we managed to overcome and thrive on the challenges, retain customers, and grow our market share.

Sameer AlWazzan
Chief Executive

It gives me great pleasure to report that 2020 was another record year for the Group. We grew the bottom line by a further %4, recording a profit of BD 5.2 million. As you might recall, the Group achieved a significant milestone in 2019, with net profits crossing the BD 5 million mark for the first time in a decade.

It was a year when our systems, employees and processes were put to the test, and we had to adapt to rapidly changing conditions. I am happy to report that we managed to overcome and thrive on the challenges, retain customers, and grow our market share.

As one of the premier listed groups in Bahrain, it is with immense pride that we will be sharing with our stakeholders the Group's first Environmental Social and Governance (ESG) performance and related activities in this annual report. We sincerely hope that the framework, criteria, and continuous measurement will guide our Group in making the right future decisions that improve our operations' long-term sustainability and the wealth of our shareholders.

Overview

We started the year focusing on consolidating the rapid gains made in 2019 till COVID19 hit in the first half of the year. As the insurer with the most extensive retail customer base in Bahrain, our priority was to ensure that our employees could safeguard the continuity of critical services like renewals and claims. All the support services came together with the frontline staff to develop innovative solutions for our customers. Our employees formed an internal task force to allow for rapid coordination and quick responses, which remained in constant contact throughout the period. We also added IT and related resources that allowed key department staff to work remotely.

Except for Motor, all lines of business posted growth in 2020. The pandemic understandably impacted car sales. After a %31 drop in 2019, an aftereffect of VAT, the motor sector was already on the backfoot. New car sales fell by a further %13 as consumer behaviour changed due to the pandemic related uncertainties. Consumers shifted to lower value cars and preferred lower-priced, third party cover, hurting premiums. The lower claims more than compensated this topline loss. Medical insurance managed to build on its large base of 2019, retain critical customers, maintain pricing discipline and bag new long-term clients. Life insurance kept pace, though a spike in claims and surrenders hurt underwriting margins. General insurance was by far the standout for topline growth adding large clients, especially in the latter part of the year.

Our investment portfolio, despite its diversification, was hit by the ferocity of the market correction in the first half of the year. We had been preparing for a correlated fall in investment assets by raising cash levels in late 2019. This helped us weather the volatility and pick up positions in the market as the first wave intensified. Once the central banks and governments backstopped the markets with monetary interventions, the recovery was equally ferocious. However, our associates' portfolio was impacted by the closing of the Saudi causeway and the steep fall in activity in the first half of the year. Their strong balance sheets and management efforts restored a degree of recovery in the second half. Despite the additional COVID19 related spend on IT, employee protection and branch disinfections, costs were well contained. A sharp focus on collections and working with our clients and counterparts helped us to control receivables.

Group Financial Performance

Robust growth in non-motor lines helped offset the drop in motor premiums, allowing the Group to grow its gross premium by %9. We noticed client preference shift towards dealing with financially stable and larger counterparties, given the heightened risks in the post-covid environment. Our business development teams were in constant communication with the customer base right through the crisis period. Retention levels fell from %52 in 2019 to %45 in 2020. While the drop in retention levels was driven by a few large accounts in general insurance, commission income grew sharply, and acquisition costs fell, particularly in Motor. Underwriting profits received a boost from sharply lower motor claims. The Group claims ratio fell to %58 from %63, pushing up underwriting profits to BD3.6 million from BD2.1 million in 2019.

Our investment portfolio produced outstanding results despite the volatile conditions and the relative underperformance of regional and Bahrain equity markets. Investment income net of provisions fell to BD2.4 milliom compared to BD3.0 million in 2019. Remarkably, we were able to not only defend but grow our portfolio value, with improvement in revaluation reserves to BD5.6 million from BD4.6 million in the previous year. Associate profits dropped to BD1.0 million from BD1.6 million during the last year as the pandemic disrupted operations in the first half of 2020. Despite all these dramatic events during the year, the Group delivered growth in its basic and diluted earnings per share, which increased to 43.8 fils compared to 42.6 fils in 2019. As measured by group equity, shareholder wealth grew to BD57.3 million from BD53.8 million in 2019.

Group Subsidiaries' Performance

Bahrain National Insurance Company (bni)

Overall premiums grew 8.2% to BD26.5 million, as the fall in motor premiums was more than made up by the large customers bagged on the general insurance side. We see some evidence of hardening rates in certain general insurance lines due to COVID19 related claims patterns and related repricing by general insurers. However, the compulsory retail lines like Motor were under pressure as a sharp fall in new car sales, and the disruption to customer visits to showrooms impacted performance. We saw consumer preference shift to lower value brands and cheaper insurance alternatives. While the waiver of interest payments as part of the Covid relief package by the goverment softened the blow to credit sales of cars, overall conditions continued to be subdued.

Large wins in the engineering and marine lines helped offset the tepid performance in other lines. bni's motor team achieved a significant milestone by becoming the first line of business to go live on the upgraded core system. We expect the pay-off in terms of enhanced services, flexibility and products to become increasingly visible soon. The claims recovery team used the period of low motor claims to work on reconciliations with insurance counterparties. We are comfortably reserved on both the receivables and claims side as we maintain our conservatism in the face of unprecedented uncertainties.

Net underwriting profit for bni improved dramatically to BD3.0 million, compared to BD1.7 million in 2019. Our investment income was impacted by fewer trading opportunities and a drop in dividend flows and interest yields. Investment Income dropped to BD1.8 million compared to BD2.6 million. Lower road assistance claims helped boost profitability further. As a result, bni's net profit rose to BD4.71 million compared to BD3.95 million in 2019.

Bahrain National Life Assurance Company (bnl)

The consistent topline growth in bnl has been one of the outstanding features of the Group for the past couple of years, and 2020 proved no exception. Premiums grew by 9% to BD10.4 million as the medical insurance team continued to make inroads into the SME market while securing larger customers in long term policies. A combination of continuous dialogue with customers, detailed pricing and working closely with our broking partners helped the performance. The staff worked closely with third-party administrators and other service providers to ensure uninterrupted access to our valued customers' medical services. Medical was also the second insurance line to go live on the upgraded core system in April 2020. Retention levels were increased in a planned manner, keeping in view an overall balanced portfolio and long term claims experience. Medical claims subdued due to the various restrictions in place during the 2nd quarter of 2020 gradually picked up in the remainder of the year as patient visitation patterns normalized. This, combined with a higher value per claim, impacted underwriting profits. Life business grew by a robust 11% as credit life more than offset weakness in other lines. Underwriting results were affected by the sharp increase in surrenders and death claims. A combination of lowered life liabilities and strong investment portfolio performance resulted in a release of life reserves, boosting profitability. Net underwriting profit increased to BD536 thousand compared to BD392 thousand in 2019. A larger exposure to international markets meant that bnl had a more robust performance in its investment portfolio than the rest of the Group.

As a result, the Company's net profit rose from BD941 thousand in 2019 to a record BD1.1million in 2020, an increase of 18%.

iAssist Middle East

iAssist operated its first year as a purely motor body-shop repairs company after transferring road assist to bni in mid-2019. Despite being impacted directly by the pandemic, the Company managed to reduce losses and is within reach of breaking even. Several steps were taken to rationalize overheads and improve the level and quality of services relative to non-agency garages. This showed up in better customer experience and improved efficiencies and turnaround times. We have taken some additional steps to coordinate with bni's motor operations to provide a seamless service. We are confident that the Company will complete its turnaround in the forthcoming year, provided the operating environment continues to normalize.

Investments and Associates

Volatility made a sudden return as the markets were roiled by the pandemic in the first half, followed by US elections. Markets were in free fall for a brief period and found a bottom only after the extraordinary monetary and fiscal interventions in advanced economies, particularly the US. Regional markets took a hit from plummeting oil prices and continuous lockdown announcements. Companies focused on conserving cash and skipped or cancelled dividends. The report of a vaccine in November 2020, combined with brightening prospects of massive US fiscal stimulus post the democrats win, resulted in an unrelenting upswing in markets, interspersed with rotations from growth equities to value.

We had highlighted the potential impact of the covid outbreak and trade war as the reasons for maintaining a high cash position, despite the drag on performance. In retrospect, that decision helped us maintain portfolio discipline and add to our positions at advantageous levels in 2020. Regional markets and a few Bahrain positions were a relative drag. However, the rest of the portfolio, including fixed income, performed well. Right through the crisis, we maintained robust levels of liquidity and were closely monitoring insurance operational cash flows to ensure adequate liquidity buffers at all times.

The Group's net investment income from the market portfolio decreased by 21% in 2020 to BD2.6 million, as lower dividend income and a drop in profit on sale impeded returns. Despite this, the portfolio value increased by nearly BD1 million in 2020. The portfolio size increased by 7% to BD55 million, including cash. We continue to run a disciplined portfolio diversified by risk dimensions, both quantitative and qualitative.

Our equity associates had a challenging year, and some had to roll back dividends to conserve cash. We are proud that none of our group companies resorted to employee lay-offs or cuts in salaries during this period of turmoil. With a carrying value of BD18.9 million, our associate stakes delivered a share of profit of BD1.0 million compared to BD1.6 million in 2019. The drop was primarily due to the reduction in Saudi causeway traffic on our insurance associate. The regulator directed consumer finance companies to cut processing fees and waive interest as part of the relief package. This affected the performance of one of our associates. We are pleased to report that all our associates are well capitalized and well placed to bounce back more robust as normalcy gets restored gradually. Our insurance associate in Saudi faced some pressure on the topline but reaped the benefits of revamping their medical and Motor operations and lower claims.

Other Group Activities

Our motor and medical lines went live successfully in 2020, despite the disruptions caused by the pandemic. The pandemic resulted in speeding up specific long-term initiatives, including shifting our financial payments online effectively and safely.

We plan for our remaining lines of business and the finance module to go live by the first half of 2021. The upgraded core system will be the bedrock for several digital initiatives.

We conducted the gap analysis as part of our transition to the new IFRS9&17 insurance accounting standards. Given the sweep of the standards in changing insurance operations, performance measurement, processes, pricing, and governance, we view this as a long-term exercise in driving excellence in our subsidiaries' insurance operations. Design and implementation represent the next critical phase of this transition, and we look forward to working with our partners and the regulators on this.

While our training and seminar activities were a bit curtailed during 2020, we used online training programs effectively to fill the gap. Many of our employees achieved professional certifications, despite the tiring circumstances of 2020. The Bahrainisation rate for the insurance subsidiaries and the holding Company improved from 74% in 2019 to 77% in 2020.

Economic Outlook

Bahrain's nominal GDP declined by 5.6% in this pandemic affected year. Despite the substantial progress in controlling expenses and increasing the non-oil sources of revenues, the country's debt to GDP has climbed during 2020. A strong vaccination push combined with steady oil prices and swift recovery in the latter part of 2020 and early 2021 makes us optimistic that the worst is behind us. We expect a synchronous pickup in activity due to falling infection numbers by the second half of 2021. Bahrain is expected to grow by 2.3% in 2021.
However, the next year poses a different set of challenges, including navigating a more price-sensitive and highly competitive insurance market. While there have been moves towards consolidation in the financial services sector, we believe that competitive intensity has not diminished as a result. Investment yields, on the other hand, are low. Given the high valuation levels in bond and equity markets at the start of 2021, the potential for returns is constrained. We need to be agile and disciplined while facing these challenges to continue to deliver value to all our stakeholders.

Sameer AlWazzan
Chief Executive

SUBSIDIARIES

Bahrain National Insurance
Est. **1998**
Capital **BD 6.5 million**

Bahrain National Insurance Company B.S.C.(c) is a wholly owned subsidiary of Bahrain National Holding Company and the General Insurance arm of the Group, offering a full range of products for businesses and individuals.

Bahrain National Life Assurance
Est. **2000**
Capital **BD 5 million**

Bahrain National Life Assurance Company B.S.C. (c) is a 75% owned subsidiary of Bahrain National Holding and is the only local company specializing exclusively in providing a wide range of life and medical insurance products and services for businesses and individuals.

iAssist Middle East
Est. **2010**
Capital **BD 1.2 million**

iAssist Middle East W.L.L is a wholly owned subsidiary of Bahrain National Holding company. It is a state of art car body shop that offers a full range of services; each designed to be performed in a structure series of operating procedures ensuring faster and more efficient performance.

ASSOCIATES

United Insurance Company
Est. **1986**
Paid-up capital **BD 5 million**
BNH share **20%**

The United Insurance Company (UIC) provides insurance cover for passengers and vehicles crossing the King Fahad Causeway linking the Kingdom of Bahrain and Saudi Arabia.
www.uic.bh

National Finance House
Est. **2005**
Paid-up capital **BD 7.5 million**
BNH share **34.93%**

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

Arabian Shield Cooperative Insurance Company
Est. **2006**
Paid-up capital **SR 300 million**
BNH share **15%**

The Arabian Shield Cooperative Insurance Company provides general (commercial and industrial) and medical insurance cover in the Kingdom of Saudi Arabia.
www.der3.com

Al Kindi Specialised Hospital
Est. **2008**
Paid-up capital **BD 2.2 million**
BNH share **27%**

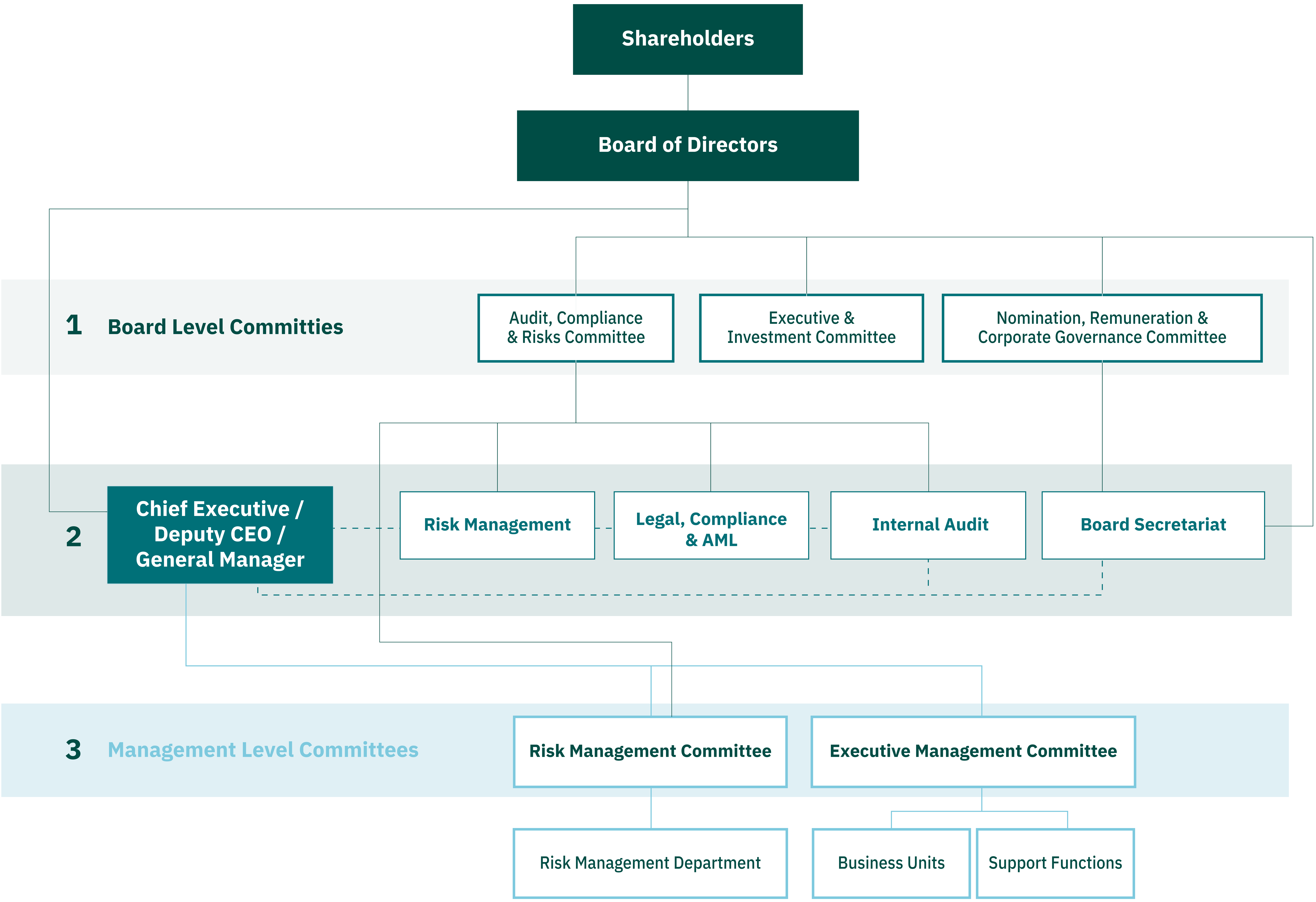
Al Kindi is a private specialist hospital offering high standards of primary and secondary medical care. Al Kindi Specialised Hospital is equipped with a 24-hour clinic, radiology unit, medical laboratory and pharmacy.
www.alkindihospital.com

Health °360 Ancillary Services W.L.L
Est. **2013**
Paid-up capital **BD 0.4 million**
BNH share **26.2%**

"Health 360° Ancillary Services W.L.L", is a Third party administrator (TPA) company based in the Kingdom of Bahrain. The company is providing claims management for insurance companies providing medical covers through a network of medical service providers.
www.health360.bh

FORESEEING A **BRIGHTER FUTURE**

GROUP GOVERNANCE & ORGANIZATION STRUCTURE



Notes:

1. Board Committees of each respective Company; Executive and Investment Committee for BNH and bni only.
2. CEO and Deputy CEO for BNH; GM in the case of the subsidiaries bni & bnl.
3. Management Committees are joint committees and included in the services provided by the holding company BNH; and other units are for each respective companies bni & bnl as applicable to the operation of that company.

Corporate Governance Commitment

Bahrain National Holding Company commits to undertake a system that is extracted from the Corporate Governance Code of Bahrain, which was enacted by the Ministry of Industry, Commerce and Tourism and the Central Bank of Bahrain in 2010. BNH awards the system high importance by developing and enhancing the implementation of the Corporate Governance requirements in every aspect of the operations and responsibilities of the company. BNH sees Corporate Governance as a system whereby the company's business operations financially and commercially directed and controlled.

The governance organizational structure defines the distribution of rights and responsibilities of the various parties involved in the company, such as Shareholders, Board of Directors, Board Committees, Executive Management, Managers and other Stakeholders. In addition, it explains the rules and procedures for making decisions to the company and its strategy, in order to find a model that determines the company's objectives and the means 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 group's strategies in dealing with the risks, according to risks identification index.
2. Risk Management System is responsible for the selection and ongoing monitoring of risks faced by the company in various areas of its business and suggests ways to avoid those risks or mitigate the severity of its impact as much as possible. Risk Management Committee is responsible for the verification of full implementation of this system by the concerned parties in the company.
3. Independent oversight to ensure the sound implementation of Governance and Risk Management Systems and Standards, which is the responsibility of the Audit, Compliance and Risk Committee (ACRC)

Central Bank of Bahrain

The Group maintained its full commitment to all rules and regulations issued by the Central Bank of Bahrain, without reporting any violations during the year 2020.

The Board

BNH's Board of Director consists of 10 non-executive members, elected and notified to the Central Bank of Bahrain in April 2020 for a term of 3 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, attendance fees, code of conduct and confidentiality. The Group is committed to maintain high standards of confidentiality through all Group levels. On termination of a Director's, the Director is requested to deliver all papers, documents and other property of or related to the Group which are in the director's possession, custody or power due to the holding a Director position.Upon joining BNH's Board of Directors, all Directors receive a formal and tailored induction to ensure contribution to the Board from the beginning of the term as a Director. The induction includes topics on compliance programs, the legal council, internal and independent auditors. In addition, the new Director will attend meetings with the senior management, visit the company facilities, receive a presentation regarding strategic plans, significant financial, accounting and risk management issues which briefs on the business profile, opportunities, challenges and risks faced by the Group.

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 shareholders' value while protecting the rights and interests of other Stakeholders; and maintaining high standards of transparency and accountability. The main functions of the Board includes and not limited to:

- Plan and review the implementation of the strategy and operational performance.
- Monitor and approve financial statements to ensure accuracy and transparency in disclosing the Group financial position.

- Maintain an appropriate board and management structures in addition to monitoring and evaluating the Board sub-committees and management's performance
- Ensure compliance with laws and regulations.
- Monitor conflicts of interest and preventing abusive related party transactions
- Assure equitable treatment of shareholders including minority shareholders.

To carry out the daily operations of the company that required the Board approval, it has been in the Board's best interest to delegate approval authorities to its sub-committees and Members of Management; all material transactions falling outside the delegated limits are referred to the Board for approval.

The names and profiles of Directors are listed at the front of this annual report.

Directors' Attendance at Board Meetings in 2020

Board Member	Title	25 Feb	13 Apr	11 May	12 Aug	9 Nov	10 Dec	Attendance Percentage
Farooq Yusuf Almoayyed	Chairman (Independent Non-Executive Director)	•	•	•	•	•	•	100%
Abdulhusain Khalil Dewani	Vice Chairman (Non-Executive Director)	•	•	•	•	•	•	100%
Abdulrahman Mohamed Juma	Board Member (Non-Executive Director)	•	•	•	•	•	•	100%
Jehad Yusuf Amin	Board Member (Independent Non-Executive Director)	•	•	•	•	•	•	100%
Redha Abdulla Faraj	Board Member (Independent Non-Executive Director)	•	•	•	•	•	•	100%
Ghassan Qasim Fakhroo	Board Member (Non-Executive Director)	•	•	•	•	•	•	100%
Sami Mohamed Sharif Zainal	Board Member (Non-Executive Director)	•	•	•	•	•	•	100%
Talal Fuad Kanoo	Board Member (Non-Executive Director)	•	•	•	•	•	•	100%
Ali Hasan Mahmood	Board Member (Non-Executive Director)	•	•	•	•	•	•	100%
Ayad Saad Algosaibi	Board Member (Independent Non-Executive Director)	•	•	•	•	•	•	100%

- Mr. Farooq 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 Board 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 of meetings held during a financial year.
- The remuneration for Directors is determined by the Shareholders at the Annual General Meeting.

Board of Directors & Executive Management Shares

January - December 2020

Name of Shareholder	Title	Number of shares as at 1st January 2020	Number of shares as at 31st December 2020	Changes
Director				
Farooq Yusuf Almoayyed	Chairman	1,395,792	1,395,792	-
Abdulhusain Khalil Dewani	Vice Chairman	1,427,152	1,427,152	-
Abdulrahman Mohamed Juma	Board Member	687,794	687,794	-
Jehad Yusuf Amin	Board Member	3,200,000	3,200,000	-
Ali Hasan Mahmood	Board Member	530,881	530,881	-
Ayad Saad Algosaibi	Board Member	105,000	105,000	-
Sami Mohamed Sharif Zainal	Board Member	156,869	64,058	(92,811)
Talal Fuad Kanoo	Board Member	152,037	152,037	-
Ghassan Qasim Fakhroo	Board Member	105,000	105,000	-
Executive Management				
Sameer AlWazzan	CEO	114,741	114,741	-

Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2020 according to the following table:

Name	Position/kinship	Shares held as at 31st December 2020	Total inherited shares transaction	Total transferred shares transaction
Sami Mohamed Sharif Zainal	Board Member	64,058	12,189	105,000

- Inherited shares from Mr. Sami's late mother
- Transferred shares from Mr. Sami to his father without charges.

Remuneration of Board Members and Senior Management

The aggregate remuneration paid to Board Members and senior management personnel are disclosed in Note 35 of the Financial Statements.

BOARD COMMITTEES

Audit, Compliance & Risks Committee (ACRC)

Responsibilities

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

Directors' Attendance at ACRC Meetings in 2020

Members	Title	17 Feb	5 May	5 Aug	5 Nov	Attendance Percentage
Redha Abdulla Faraj	Chairman	•	•	•	•	100%
Ayad Saad Algosaibi	Vice Chairman	•	•	•	•	100%
Abdulrahman Mohamed Juma	Member	•	•	•	•	100%
Ali Hasan Mahmood	Member	•	•	•	-	75%

- Mr. Redha Abdulla Faraj is the Chairman of the ACRC.
- Mr. Redha Abdulla Faraj and Mr. Ayad Saad Khalifa Algosaibi 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 3-year business plan.
- Guide, monitor and coordinate the management and performance of the Group in line with approved strategies, business plan and budget.
- Develop and monitor 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. To ensure that the Group has in place tools to monitor performance and that its Key Performance Indicators (KPI) are being checked and achieved.
- Mr. Abdulhusain Dewani is the Chairman of the EIC.
- The EIC is required to meet when and as required.

Note: No meetings were held during 2020

Nomination, Remuneration & Corporate Governance Committee (NRCG)

Responsibilities

- Monitor the establishment of an appropriate Corporate Governance framework.
- Nomination of members of Board and Sub-committees CEO/GM, CFO and Corporate Secretary.
- Make necessary recommendations to the Board as to changes of 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 the Board, Board members, Committees and Senior Executives.

Directors' Attendance at NRCG Meetings in 2020

Members	Title	25 Feb	13 Apr	Attendance Percentage
Farooq Yusuf Almoayyed	Chairman	•	•	100%
Abdulhusain Khalil Dewani	Vice Chairman	•	•	100%
Jehad Yusuf Amin	Member	•	•	100%
Redha Abdulla Faraj	Member	•	•	100%
Abdulrahman Mohamed Juma	Member	•	•	100%

- Mr. Farooq Yusuf Almoayyed is the Chairman of the NRCG.
- The NRCG is required to meet at least twice a year.

MANAGEMENT

The Board has delegated the responsibility for the day-to-day management of the Group's Business to the Chief Executive Officer (CEO), who is supported by an experienced Senior Management team and several of Operational Committees. The names and profiles of the CEO and Senior Management team are listed at the front of this annual report.

OPERATIONAL COMMITTEES

BNH Executive Management Committee

Objectives

- Provide a forum by which the ideas and opinions of the Senior Management team are considered in issues relating to Group policy and strategy, and for exchanging inter- departmental information.
- Provide assurance to the Board that the affairs of the Group are overseen by a team of Senior Managers.
- Achieve standardization of policies and practices across the Group.
- Exercise such financial authorities as the Board may grant, and achieve dispersion of financial authority.
- Provide a forum 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

- Masood Bader, Deputy Chief Executive, BNH – Chairman
- Anand Subramaniam, Chief Investment and Financial Officer, BNH – Member
- Eman Mojali, General Manager, bni – Member
- Anantha Ramani, Senior Manager, Finance, BNH – Member
- Enas Asiri, General Manager, bnl - Member
- Esther Pinto, Personal Assistant to the CEO, BNH – Committee Secretary
- Bashayer Dhaif, Senior Manager, Corporate Communications, BNH – Member
- Mahmood Al Adraj, Information Technology Senior Manager, BNH – Member
- Amith Valsan, Internal Audit Manager, BNH – Member

Risk Management Committee

The Risk Management Committee is comprised of Senior Management such as the CEO, CFO, GMs, IT Senior Manager, Legal & Compliance Senior Manager, and Head of Internal Audit.

Responsibilities:

- Coordinating decision-making to ensure consistency in the risk management responses
- Overseeing the development and implementation of the Enterprise Risk Management Framework
- Monitoring the on-going performance of the Enterprise Risk Management Framework
- Ensuring that responsibility and authorities are clearly defined and that adequate resources are assigned to the Enterprise Risk Management Framework
- Regularly reviewing the suitability of the risk management processes and risk responses
- Providing a comprehensive view of the organization's risk profile to the Board of Directors
- Ensuring that the Business Continuity Plan is reviewed and monitored
- Ensuring that the corporate plan and strategy risks are periodically reviewed
- Ensuring that the organization's insurance program is reviewed annually
- Take risk decisions at management committee level and escalate further required risk decisions at the Board of Directors to the Audit, Compliance & Risk Committee
- Ensuring risk mitigations and controls are implemented by various business units and support functions

Membership

- Sameer AlWazzan, Chief Executive, BNH – Chairman
- Masood Bader, Deputy Chief Executive, BNH – Member
- Anand Subramaniam, Chief Investment and Financial Officer, BNH – Member
- Eman Mojali, General Manager, bni – Member
- Enas Asiri, General Manager, bnl – Member
- Bayan Jaberi, Enterprise Risk Management Manager, bni – Committee Secretary
- Mohamed Al Abbasi, Legal, Compliance and AML Senior Manager, bni – Member
- Mahmood Al Adraj, Information Technology Senior Manager, BNH – Member
- Amith Valsan, Internal Audit Manager, BNH – Member

Compliance Responsibility

The responsibility for ensuring the Group's compliance with the rules, regulations and guidelines of the Central Bank of Bahrain & other regulatory authorities resides with the Compliance Officer who is responsible for managing the Group's dedicated Legal, Compliance & AML department, in which a continuous compliance monitoring programme is conducted to ensure effective compliance.

Transparency & Efficiency

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

Employment of Relatives

The Management, in general, does not allow the employment of "closely related" persons. However, if there is no apparent conflict of interest stemming from personal or a business relationship, such employment may be permitted by the CEO/GM/ Board of Directors, looking into the circumstances of each case.

"Closely related" in this context will include spouses, parents, children, siblings and in-laws (Father-in-law, Mother-in-law, Brother-in-law, Sister-in-law, Son-in-law & Daughter-in-law). Such relationships should be declared to the company prior to the commencement of employment. Failure to do so may result in termination of the services of the concerned employee, "Employee" in this context will include all CBB approved persons, such as GM's, Head of compliance...etc.

Relatives cannot be employed within the organization in the same department.

In case of marriage between two employees working in the same company, approval of the CEO/GM must be obtained to continue employment in the company after the marriage.

Policies & Procedures

During 2020, BNH continued to regularly review and update all key policies and procedures manuals, covering critical operational areas in the Group's subsidiaries and across all functions of the organization.

Directors & Officers Liability Insurance

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

Anti-Money Laundering (AML)

The Group has in place policies and procedures to handle all aspects of anti-money laundering activities in line with regulations of the Central Bank of Bahrain. On an annual basis, the Group conducts a thorough review of its policies, procedures, internal directives in addition to arranging specialized courses to ensure ongoing compliance. The Group has submitted its external auditors report for the year 2019 in accordance with the requirement of the Central Bank of Bahrain.

Whistle Blowing Policy

In its commitment to the highest standard of good governance practice, the Group has in place a Whistle Blowing policy designed to enable employees, vendors, service providers, customers or any third party to raise any misconduct or concern with high level of confidentiality. The policy explains process for reporting any misconduct or concerns to the concerned officials without fear of any retaliation. The policy is accessible to all employees and customers or third parties through the company's intranet and website, respectively.

Key Persons Trading

The Group's compliance with the latest Key Persons Trading regulations of the Central Bank of Bahrain is supervised by the Audit, Compliance & Risk Committee which reports to the Board of Directors. The Group has submitted its Internal Audit report for the year 2019 in accordance with the requirement of the Central Bank of Bahrain.

Related party transactions and conflict of interest

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

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

Details of related party transactions involving the Group in 2020 are disclosed in Note 35 of the financial statements. The company applies enhanced procedures for related parties' transactions and has set a mechanism to regulate transactions with related parties in order to minimize conflicts of interest.

Code of Conduct

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

Penalties

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

Communications

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

Corporate Secretary

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

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

Succession plan

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

Fees paid to External Auditors

KPMG Fakhro was the company's external auditors for the financial year ended 31 December 2020. Details of the audit fee paid to the auditors during the year 2020 as well as the details of non-audit services and fees paid are held at the Group's premises, which is available to eligible shareholders upon specific request.

Status of compliance with CBB's High Level Controls (HC) Module

As a CBB regulated entity the Group is required to comply with the High Level Controls (HC) Module of the CBB Rulebook, Volume 3. The HC Module contains both Rules and Guidance; Rules must be complied with, but Guidance may either be complied with or non-compliance explained by way of an annual report to the shareholders and to the CBB.

The group including its subsidiaries ensures full compliance with HC Module through its continuous internal monitoring program

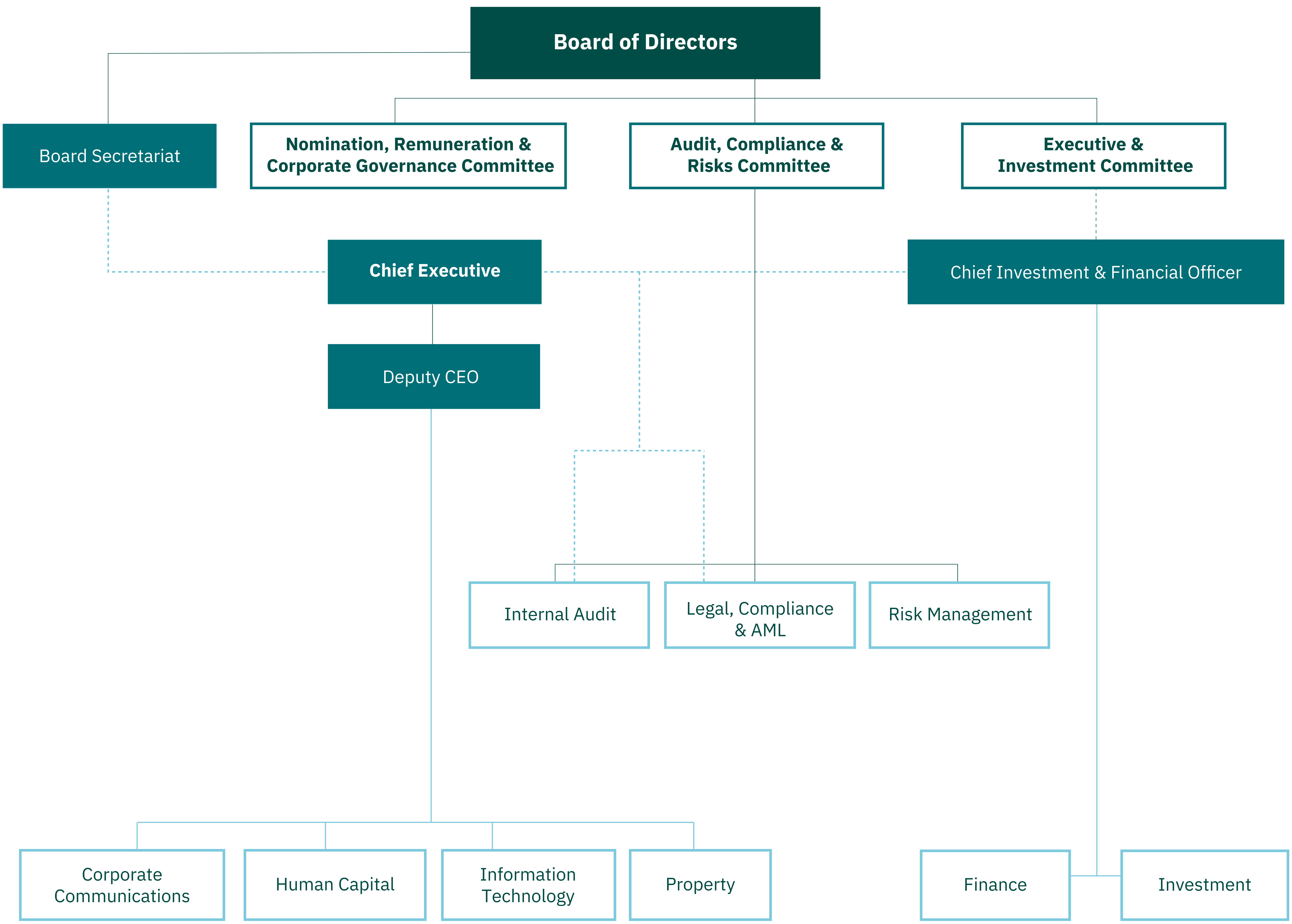
Changes in HC Module during 2020

The group is keeping abreast with all regulatory amendments on the rules, regulations, and laws. The CBB publish on a quarterly basis updates pertaining to the rulebook. Having said that, there was an update in HC Module (HC5.4.3-) states that the performance evaluation and remuneration of senior management and staff of the insurance licensee must be based on the achievement of the Key Performance Indicators (KPIs) relevant to ensuring compliance with AML/CFT requirements as specified in Paragraphs FC2.1.4- and FC2.1.5-.

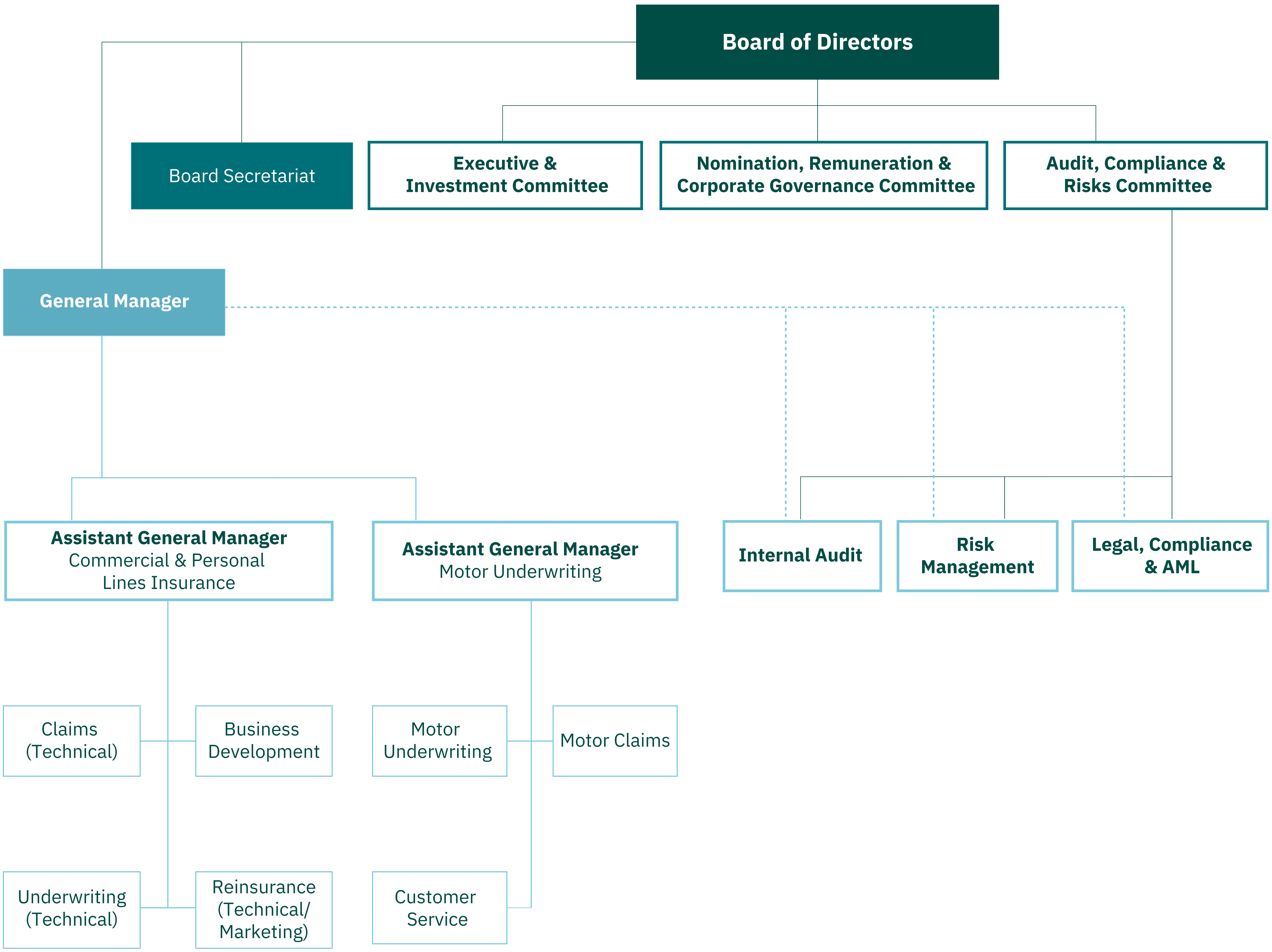
In addition, a further amendment was in (HC9.4-) in which the the CBB has added a new section on Terms of Appointment and Competence of the Shari'a Supervisory Board (SSB). This section is not applicable to the Group as it has been introduced for Takaful and Retakaful Licensees.

ORGANIZATIONAL CHART

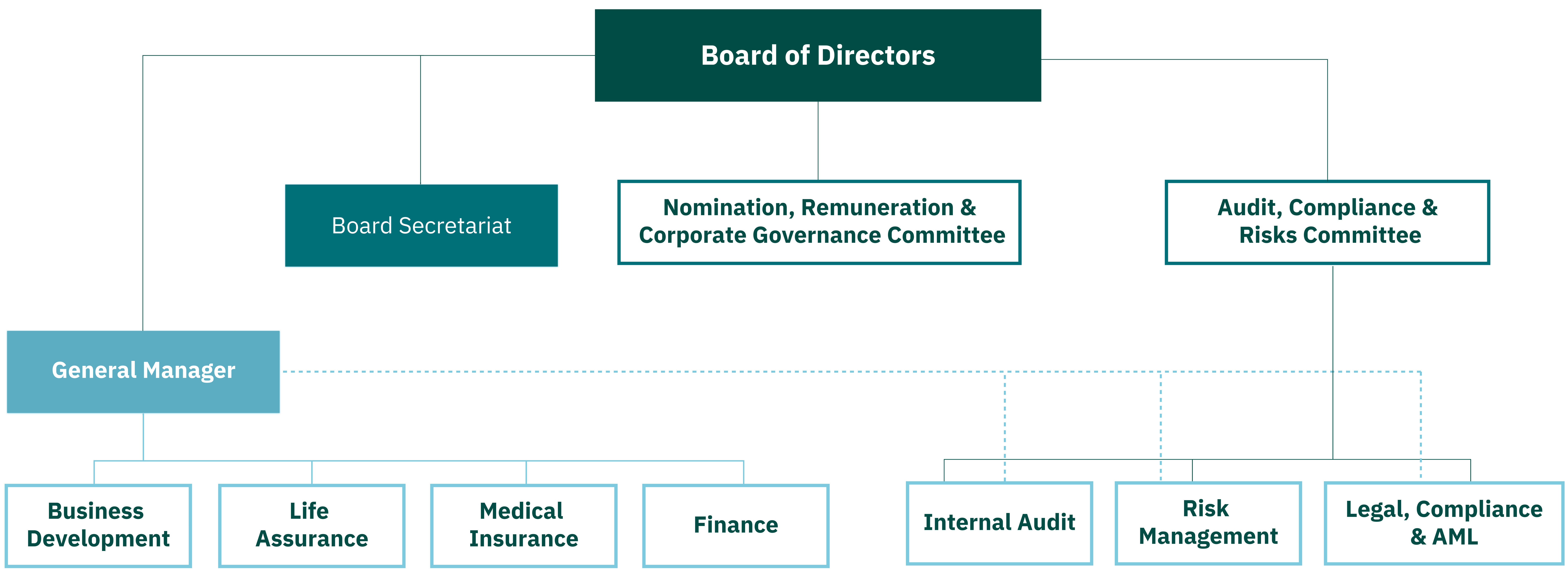
BAHRAIN NATIONAL HOLDING



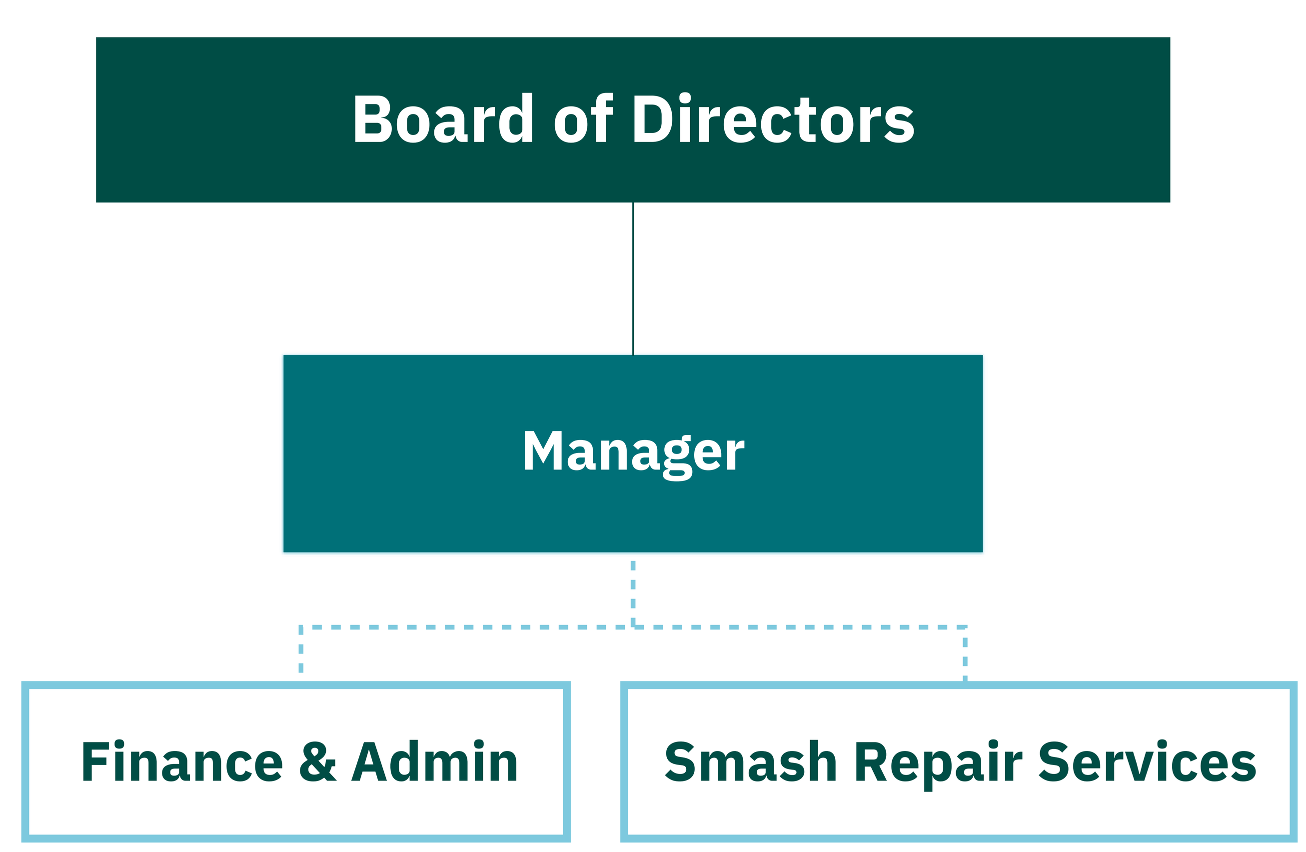
BAHRAIN NATIONAL INSURANCE



BAHRAIN NATIONAL LIFE ASSURANCE



IASSIST MIDDLE EAST



SUSTAINING THE FUTURE

BNH ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are excited to share our first ESG report, which details our overall approach to ESG topics and our progress so far. We recognise that we are at the beginning of our ESG journey and have more to do. We plan to report annually on our ESG progress and performance. This report focuses on the calendar year 2020 environmental, social and governance commitments of the Group, which we believe will contribute to a more sustainable future for our market, customers, and society. These commitments have been developed in alignment with the United Nation’s Sustainable Development Goals and Bahrain Vision 2030.

We at BNH believe that building a sustainable business means, increasing transparency and fostering dialogue about how we operate, aiming to lead the industry by embedding vital ESG considerations in everyday decision-making across our insurance and investment businesses. We do so with the determination to ensure everything we do is rooted in supporting better long-term outcomes for all our stakeholders.

We are proud that despite the challenging conditions unleashed by the COVID-19 pandemic, we did not waver from our commitment to our stakeholders, helping clients achieve their goals upskilling our people, serving our communities and creating a sustainable future.

HIGHLIGHTS

ZERO

Data security breaches

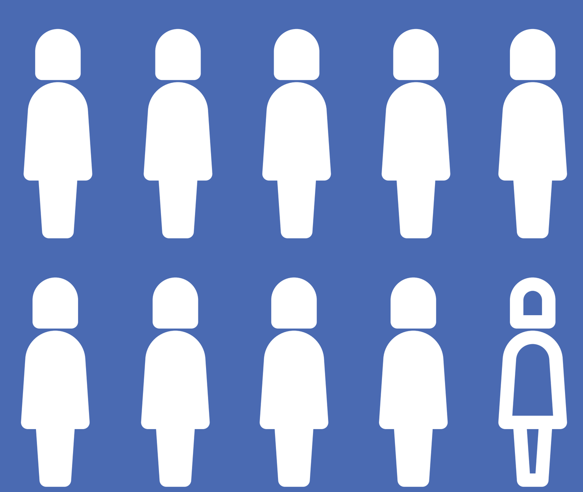
Monetary and non-monetary sanctions

BD75,600

Contribution to the national taskforce for combating the coronavirus (covid-19)

19,008

Total hours of staff training



9 WOMEN

in top and middle management positions

77.11%

Group bahrainization rate

49.07%

of group staff sent for COVID testing

87%

of procurement spending was with local suppliers

RESPONSIBLE OPERATIONS

BNH aims to be one of the most trusted financial services providers, creating sustainable economic value through a commitment to strong corporate governance and transparent performance.

We aim to ensure our governance infrastructure support equitable, transparent and responsible business conduct.

STAKEHOLDERS'

Trust in BNH is based on our integrity, excellence and pioneering of every part of our businesses and people. We consider Customers, Employees, Shareholders, Regulators, Community, and Suppliers as our partners in achieving our corporate mission. We recognise that our stakeholders expect us to be transparent in how we operate, report on our own environmental and social impact and create value. We believe that our mission is to build long-lasting relationships with our stakeholders and continue sustainable management of the Group.

OUR GOVERNANCE

The Group has strong governance structures to comply with the regulators' rules and guidelines and as a tool to continuously improve our business and ensure that all stakeholders' interests are balanced and protected. BNH's Board of Directors is focused on strong leadership and sound governance practices and considers strong corporate governance as a critical competitive differentiator. Our Board and committee structure is well attended and ensures healthy debate and decision making. Emphasis is on operations being responsive to a continually evolving business landscape.

BOARD OF DIRECTORS

A group representing a cross-section of leading Bahraini businesses, brings a potent combination of experience and skills aligned with our business and strategy. It currently consists of 6 Non-Executive Directors and 4 Independent Non-Executive Directors. The current Board of 10 members was elected at our 2020 annual general assembly.

COMPLIANCE AND ETHICAL BEHAVIOR

The Kingdom is at the forefront of ushering in the latest in digital technology in the financial services sector. This results in dynamic and evolving regulatory requirements and laws. The Group is committed to adhering to all regulatory rules and regulations. It has formalised regular monitoring programs, continuously updating its policies, procedures and practices and providing adequate and verifiable, awareness training. The Group has several related resources on the intranet to actively participate and educate themselves in this critical area.

RISK MANAGEMENT FRAMEWORK

Risk management lies at the center of our operations and the two significant risks the Group is exposed to are underwriting risk and investment risk. BNH's risk management framework is based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring. The Board of Directors has an oversight on the Group's risks and sets the overall risk appetite. To facilitate, the Board of Directors has delegated the responsibility to oversee the risk management framework to the Audit, Compliance and Risk Committee (ACRC), consisting of selected board members. The Risk Management department independently reports to the ACRC. The ACRC also reviews the Risk Appetite and Enterprise Risk Management frameworks, economic capital adequacy and stress testing.

The Risk Management Committee is made up of senior management, regularly meet to assess emerging risks, capitalisation trends, counterparty risks, operational risks, liquidity risks and business continuity management. The Group was amongst the first in Bahrain to embrace and invest in infrastructure to produce Solvency 2 based Economic Capital Model calculations, informing all critical decisions of the Group.

ANTI-MONEY LAUNDERING/ COMBATING THE FINANCING OF TERRORISM (AML/CFT)

BNH is committed to a strict compliance program with all applicable AML/CFT laws and regulations to prevent using its products and services for money laundering and terrorist financing purposes. The Group AML & CFT Policy and Guidelines set out the detailed requirements of the related procedures. This includes a risk-based approach to conducting customer due diligence, ongoing monitoring, suspicious activity reporting, training and record keeping. BNH uses an AML/CFT screening and tracking software and in-house developed tool to screen and monitor customer activities and transactions. All employees are required to complete AML and CFT training annually. New joiners undergo training within three months of the joining date. Moreover, we have introduced KYC training to all employees, specifically the customer-facing Staff.

Regular, independent external audits and internal compliance monitoring reviews are conducted to ensure that the Group fulfils its obligations under the AML/CFT rules and other insurance-related regulatory requirements. Apart from internal audit reviews, these reviews help identify any weaknesses that enable the management to take remedial actions and maintain full compliance.

WHISTLEBLOWING POLICY

The Group has established a whistleblowing policy and system, in line with its commitment to the highest standards of good governance, transparency, honesty, integrity and accountability. The whistleblowing channels enable all employees and independent third parties associated with BNH (including customers and suppliers) to report various types of misconducts to the concerned authority in BNH in a confidential manner.

The Chairman of the Audit, Compliance and Risk Committee is responsible for overseeing the reported misconducts. BNH Whistleblowing Policy's ownership rests with the Group Fraud Control Officer, who is also the Group Internal Audit Manager, thus ensuring independence in handling the reported misconducts.

In 2020, one misconduct was reported using the anonymous reporting channel. The relevant departments investigated the issue, and the Group took necessary mitigating steps before closing the case. Whistleblower cases are taken very seriously at BNH, and we continuously enhance the awareness around good conduct through education and awareness to minimise similar instances in the future.

DATA PROTECTION

BNH respects the privacy of the individuals and entities from whom it collects and processes personal information. We have a comprehensive data privacy compliance program that aims to implement appropriate controls on what personal information we collect and process & how we safeguard it. We follow applicable data privacy laws and complete privacy impact assessments for new and modified tools, service providers, and products and services that involve collecting or processing personal information.

We also perform an annual self-assessment of our privacy compliance program, using appropriate security safeguards & adopting detailed policies and related rules prescribed by the Central Bank of Bahrain (CBB).

0 MONETARY & NON-MONETARY SANCTION

0 DATA SECURITY BREACHES

CYBER-SECURITY

As the Group increases progress with its digital initiatives, protecting BNH, our workforce and our stakeholders from cyber risks is a shared responsibility across our Group. It begins with our cybersecurity team with oversight from an independent Information Security Officer. They advance a proactive cyber-defence strategy seeking to detect, mitigate and respond to ever-changing cyber threats. We engage experts to conduct regular assessments to validate defensive measures, assess vulnerability, employing a comprehensive risk management framework to enable effective escalation and management. As part of governance practices, the Audit, Compliance and Risk Committee of the Group reviews BNH's privacy and the cybersecurity compliance programs regularly to facilitate sound investments in people, process and technology. All employees must complete a Cybersecurity Training module annually, which includes an exhaustive review of our internal policies relating to Cybersecurity and Data Privacy. In 2020, 167 employees completed the training.

LOCAL SUPPLIERS

We make it a priority to ensure our purchases activities directly contribute to local businesses in Bahrain. To achieve that, we procure goods and services from local suppliers whenever it is feasible. Investing in local suppliers creates jobs, builds local capacity and supports a more stable business environment. We encourage our associate companies to prioritise local purchases wherever possible. Our purchases activities are centralised through our Group Procurement department, which sets policies and guidelines, handles major purchases, facilitates contracts with suppliers and develops sourcing strategies. Individual business units manage some purchasing decisions depending on their needs.

	No	%	Amount (BHD)	%
No.Of Suppliers in Bahrain	159	87%	1,341,314	89%
No.Of Suppliers Out Side Bahrain	24	13%	173,800	11%
	183	100%	1,515,114	100%

WORK SUSTAINABILITY

Our culture and people are our most importantresource and a critical competitive advantage. We have a culture focuse on our people, setting big goals, execution, continuous improvement and accountability in everything we do.

Integrity and ethical behavior are at the very foundation of who we are, what we do and how we do it.

2020 WORKFORCE OVERVIEW

201 TOTAL FULL-TIME WORKFORCE

** Excluding trainees and temporary staff*

37 SENIOR MANAGEMENT

11 MIDDLE MANAGEMENT

153 NON-MANAGEMENT (STAFF)

EMPLOYEE COUNT BY AGE

48 Employees age 18-30

139 Employees age 31-50

14 Employees age 51+

** Out of 201 full-time workforce*

BAHRAINIZATION

155 Bahraini | 46 Non-Bahraini

TOTAL MANAGERIAL

34 Bahraini | 14 Non-Bahraini

TOTAL NON-MANAGERIAL

121 Bahraini | 32 Non-Bahraini

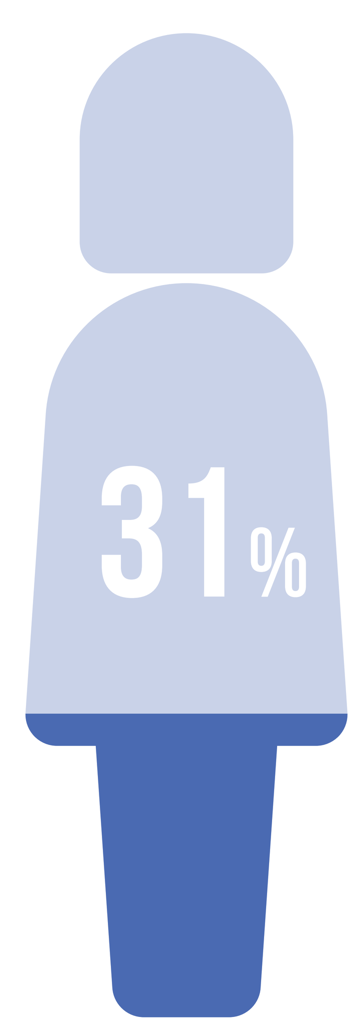
TOTAL OF 139

22 Total Managerial Bahraini

11 Total Managerial Non-Bahraini

80 Total Non-Managerial Bahraini

26 Total Non-Managerial Non-Bahraini



TOTAL OF 62

12 Total Managerial Bahraini

3 Total Managerial Non-Bahraini

41 Total Non-Managerial Bahraini

6 Total Non-Managerial Non-Bahraini

DIVERSITY AND INCLUSION

BNH is committed to providing equal employment opportunities and, as such, has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The Group works to ensure that its selection processes for recruitment and employee development opportunities are free from bias and are based on merit. Wherever applicable the Group shortlists candidates based on performance in aptitude tests. The Board recognises that building diversity across BNH will deliver enhanced business performance.

HIRING AND TURNOVER

	Male	Female	Total
Total new employee hires	6	12	**18**
Employee turnover (voluntary & involuntary)	17	10	**27**
Employee turnover (voluntary & involuntary) %			%14.77

TRAINING AND DEVELOPMENT

Development of our employees is a critical strategic priority. We foster a learning culture that supports the development of our people's key capabilities. We believe that this will help them succeed in their current roles and provide a platform for meaningful, long-term careers with BNH. We practice a holistic approach to learning and development. Knowledge and skills are accumulated from on-the-job experiences, collaborative projects, classroom and digital learning, supported by activities such as mentoring and coaching. We also support Bahraini universities by providing internship opportunities with the group companies in a range of functions.

2020 TRAINING AND DEVELOPMENT

19,008

Total Number of Training Hours

108

Total Number of Training Courses (Online courses and in-house training)

176

Total Number of trained employees

108

Average Number of Training Hours per employee

CODE OF CONDUCT

At the heart of our approach to good governance is our Code of Conduct. The Code provides clear guidance on how we conduct business and applies to everyone who works at BNH. It reflects our Operating Philosophy, namely "Protecting Prosperity"." It also defines how we hold ourselves to the highest standards of professionalism, which is key to maintaining the trust and building sustainable relationships with our stakeholders – customers, agents, partners, regulators and investors. On joining, all employees are required to undertake training to familiarise themselves with the Code. All employees are also required to complete an annual certification of familiarity and compliance with the Code. We expect all employees to act with the highest personal and professional integrity standards and comply with all applicable laws, regulations, and Group policies.

HEALTH, SAFETY, AND WELL-BEING

It is critical to our success that we support our employees' health and well-being with programs that drive high performance, development, and engagement while also providing work-life balance.

COVID-19 RESPONSE

In the wake of the COVID-19 pandemic, the Group's priority was focused on employee well-being and flexible work. One of the first steps taken in protecting employees was to create a plan that lays out the potential risks to the business and responses in the event of an outbreak. The Group put in place several measures, including those affecting workplaces, to fight the disease's spread. These included policies on flexible leave and remote working to limit workplace presence and coordinate with the Ministry of Health to send Staff for COVID-19 test continuously. We provided Staff with a protection kit and appropriate hand sanitiser at convenient places on all floors and offices, regular sanitizing work areas, temporarily suspending outsourced workers such as office boys.

We also placed posters that encouraged sick employees to stay at home when sick, communicated cough and sneeze etiquette and hand hygiene. The signs were placed at the workplace entrance and in other visible areas, assigned a person at all doors to check the visitors' temperature and note their details, installed an impervious barrier for customer-facing areas. We also focused on limiting if not eliminating physical interaction with and between customers, such as launching bni Virtual branch, bni Drive-Thru branch, enhancing bni's WhatsApp chatbot service, and introducing the motor claim registration online. Financial settlements were carried out online via banking systems, to avoid the need for cheque signing and associated risks of spread.

76 EMPLOYEES
37.8%

Worked from Home

100 EMPLOYEES
49.7%

Sent for testing by the Group

7 EMPLOYEES
3.4%

Reported Infected
(Not During working Hours)

201
100%

No. of Safety Kits Distributed to Staff

OUR PEOPLE

BNH and its subsidiaries are committed to providing customers with innovative and relevant products that offer value and choice. They are underpinned by excellent customer service from issuing a policy through to settling of a claim.

We set robust expectations and standards of customer service to maintain their trust and confidence. This includes groundbreaking and focused product design and development, providing clear information to customers, and ensuring claims are handled fairly and promptly.

DIGITALISATION

Our ambitious future strategy has been set up to improve the customers' digital experience and create better value products and services. Our significant investment in data and digitalisation will reduce costs and make it quicker and easier to do business.

Building on a framework created in 2019, we track our digitalisation and automation levels in operations across all our divisions. Our focus is on digitalising more of our customer interactions, to create better service options and to reduce the amount of paper we consume. As of the end of the year, most payments processing and claims related interactions with customers were made via digital devices. After our sustained efforts to encourage our customers to use digital channels, customers submitted at least half of all service requests and claims digitally this year.

In 2020 we introduced bni's WhatsApp for business. Customers and potential clients can engage with us and conduct most of their insurance-related transactions through WhatsApp messages, including customers with 3rd party claims. We also launched bni's Virtual Branch, where clients could interact with customer service representatives via video call to complete their insurance-related transactions. Another digital initiative was the launch of online claims on bni's website. The feature enables clients to file and track claims on bni's website.

To further enhance customer satisfaction and experience, we have internally developed a Complaints Management system that is user-friendly and accessible by the concerned Staff to record, investigate, and resolve all complaints to address customer complaints promptly. Once a complaint is registered, an automatic SMS and email sent directly to the complainant with the complaint code for future follow up.

Bahrain's National eGovernment Strategy 2010 is focused on ensuring the delivery of eServices to all customers - citizens, residents, and businesses - effectively and efficiently under the motto "Delivering customer value through a collaborative government." In line with this vision, bni launched bni Ecard, which allows customers to process all transactions related to the General Directorate of Traffic, file claims, and other motor insurance-related transactions.

DEVELOP NEW WAYS OF WORKING WITH YOUR CUSTOMERS.

COVID-19 has fundamentally changed how we live and work. It has heightened our focus, sped innovation to respond to real-world needs, and reframed how we support our communities. We remained laser-focused on reaching out to our customers, especially during the pandemic related shutdowns. Innovations, such as bni Virtual branch, bni's online claim registration service, bni DriveThru branch and bnl's revamped website enables customers to purchase some products online.

ENVIRONMENT SUSTAINABILITY

We are committed to reducing our environmental footprint, by improving energy efficiency, using resources responsibly and reducing waste. Employees are provided with resources to help them work sustainably.

ELECTRICITY CONSUMPTION

BNH's target is to reduce energy consumption throughout its buildings and branches per employee by 20 per cent by 2022 by introducing initiatives such as replacing the traditional incandescent bulbs with energy-efficient alternatives to reduce the energy consumption. We consumed an estimated 3,594,585 kWh of electricity in 2020.

WATER

Minimising water use is a principal commitment. We have not adopted an overt target as BNH's water consumption is not a significant driver of our environmental impact. However, we reduced water consumption in our offices through employee awareness campaigns and by investing in water-efficient technologies. We estimate that our Group consumed about 10,835,000 liters of water in 2020.

WASTE

We seek to minimise the waste we generate and to re-use or recycle materials wherever possible. BNH's subsidiary bnl has partnered with Bahrain Association for Parents and Friends of the Disabled. All plastic waste is donated to them and the proceeds of selling the plastic goes towards purchasing wheelchairs for underprivileged patients.

PAPER USAGE

While insurance sector is notorious for physical forms and paperwork. BNH is working hard to change this by starting with ourselves. We have prioritised addressing paper wastage and exploring ways to digitalize more aspects of our operations and reduce our reliance on paper. We first started with moving to standard multi-function printers in 2019, with advanced features to control wastage. We invested in a board meetings management software, and meetings became paperless in 2017.

Our focus is on digitalising more of our customer interactions, to create better service options and to reduce the amount of paper we consume. As of the end of the year, our customers can digitally purchase policies and manage service and claims related interactions digitally. Electronic signatures are the best way to eliminate the shipping of documents and the use of paper. In 2020 we introduced the digital proposal forms that helped us reduce the Number of paper transactions significantly. We introduced Business-to-Business (B2B) online payments in 2020 to reduce paper wastage.

CORPORATE SOCIAL RESPONSIBILITY

We at BNH believe that our success is connected with that of the local community. We live by the concept "Creating prosperity through security" and our commitment to the development & welfare of our community is apparent through the work we do to create positive and ceaseless impact in the lives of our people and the society.

"We believe that good corporate citizenship is intrinsic to our success and we are committed to improving the quality of life in our communities, investing in education,sports, and empowering people to live greater lives."

We are proud to be amongst the first corporates to respond to the immediate and long-term needs of people dealing with the impacts of COVID-19 by committing BD75,600 to The National Taskforce for Combating the Coronavirus (COVID-19) to help drive positive social and environmental impact.

This year we sponsored a virtual forum titled "Digital Transformation in Insurance – Elevating the Customer Experience". This unique and timely insurance event aims to enable senior-level executives from insurance companies, financial services and insuretech innovators to evaluate and discuss solutions that will increase customer engagement and improve operational agility. The conference was organised by the Bahrain Institute for Banking and Finance (BIBF) and was held under the Central Bank of Bahrain (CBB). BNH is proud to sponsor BD8,000 for this event that attracted local and international speakers and was attended by more than 550 participants from all over the world.

bni continues supporting The General Traffic Directorate initiatives and awareness campaigns. It contributed BD6,500 towards activities, such as; rewarding responsible drivers, sponsoring the annual Traffic Village activities and creating awareness videos circulated on social media.

At BNH, we believe in social inclusion, particularly among special needs and youth. The "Response" Program is a national initiative aimed at developing the sports and youth sector in line with the vision of His Majesty King Hamad bin Isa Al Khalifa and HRH Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister. This is a part of the Economic Vision of Bahrain 2030. In line with this vision, bnl sponsored the Bahrain Deaf Sports Club team at the 2020 Al Areen Spartan Trifecta, where we arranged for the team to be privately trained by Reps Fitness Studio provided them with the necessary gear to complete the race. We will continue to support the differently-abled community to integrate with society and lead daily and fulfilling lives.

Small local businesses and their hard-working owners are at risk of losing their place in our communities due to minimized sales during COVID-19. bnl, extended their support to these businesses by running a social media promotional campaign and the winner was gifted a reward of BD1,000.

We supported the Rotary Club of Salmaniya fundraising Raft Race which was held under the theme “Home of Hope” to use all proceeds to restore and rehabilitate Bahraini families’ homes with low incomes.

We also continued supporting the Hope Institute for Special Education and UCO Parents Care Center by extending free motor insurance on their vehicles to facilitate their students and the elders’ transportation, respectively.

Each year, we commit a part of our net profits for donations. In 2020, we proposed allocating a sum of BD80,000 towards donations (2019 BD30,000), subject to our shareholders’ approval.

CONCLUSION

While the Group has been committed to various aspects of the ESG paradigm, we are excited to integrate these disparate activities in a formal framework. This will help us communicate with our stakeholders and measure our progress in this sphere of utmost importance to our Group. As a group, there is a commitment to increasing the integration of ESG framework across our process and business operations.

We look forward to sharing our continued ESG journey with our stakeholders in the future.

We welcome the views and suggestions of our stakeholders and actively seek their input. This will help us evolve our ESG strategy to the needs of the stakeholders. For any feedback or questions, please contact Bashayer Dhaif, Corporate Communications Senior Manager,
at **bashayer.dhaif@bnhgroup.com**.

Contacts

Bahrain National Holding B.S.C. (c)
BNH Tower 2491, Road 2832
Block 428, Seef District
P.O Box 843
Kingdom of Bahrain
Tel: 17 587 300
Fax: 17 583 099
www.bnhgroup.com

Bahrain National Insurance B.S.C (c)
BNH Tower 2491, Road 2832
Block 428, Seef District
P.O Box 843
Kingdom of Bahrain
Tel: 8000 8288
WhatsApp: 3933 8288
Fax: 17 583 299 - 17 583 477
www.bnidirect.com

Bahrain National Life Assurance B.S.C (c)
BNH Tower 2491, Road 2832
Block 428, Seef District
P.O Box 843
Kingdom of Bahrain
Tel: 17 587 333
Fax: 17 583 099
www.bnl4life.com

iAssist - Middle East
Building 1402, Road 426
Block 704, Salmabad
P.O. Box 80540,
Kingdom of Bahrain
Tel: 17 112 380 - 17 112 390
WhatsApp: 3671 1255
Fax: 17 112 398
www.iassist-me.com

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

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

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

Actuaries
Actuscope Consulting Actuaries
P.O Box 11-7503 Riad El Solh
Beirut 1107 2240
Lebanon

Lux Actuaries and Consultants FZCO
Office No. 114, 6A East Wing Building,
Dubai Airport Free Zone
P.O. Box 371557
Dubai, United Arab Emirates

Listing
Bahrain Bourse

bni's Branches and Outlets

Seef Branch
BNH Tower
Seef Business District, Manama

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

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

Muharraq Branch
Promoseven Holding Building
Shop 6, Ground Floor
Road 1531, Block 215 Muharraq

Budaiya Branch
Najibi Centre, Entrance 3
Shop No. 9, Road 515, Saar

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

Zinj Branch
Manama Plaza, Building No. 61
Road 20, Block 332, Manama

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

Home Assist and Car Pickup & Delivery
Tel: 1750 6813

Road Assist
Tel: 8000 1255

Complaints Unit
Tel: 1758 7400

EMBRACING
THE MOMENTUM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

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

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
www.kpmg.com/bh

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain National Holding Company B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Technical insurance provisions

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

Description	How the matter was addressed in our audit
We focused on this matter because • as at 31 December 2020, the Group had significant technical insurance provisions, representing %74.7 of the Group's total liabilities relating to outstanding claim reserves, life actuarial reserve, claims that have been incurred at reporting date but have not yet been reported to the Group, and unearned premiums; • the valuation of technical insurance provisions involves high level of subjectivity, significant judgment and assumptions, in particular life actuarial reserves and claims that have been incurred at reporting date but have not yet been reported to the Group involve significant judgement over uncertain future outcomes, including primarily the timing and amount of ultimate full settlement of policyholder liabilities; and • Internal claim development methods and actuarial models are used to support the calculation of insurance technical reserves. The complexity of the models may give rise to errors as a result of inaccurate/incomplete data or the design or application of the models may be inappropriate. Assumptions used in actuarial models, such as historical claims, which can be used to project the trend of future claims, mortality, morbidity, expenses, lapse rates, and so on, are set up in applying estimates and judgments based on the experience analysis and future expectations by management.	**Our audit procedures, with the assistance of our actuarial specialists, included** • testing the design and operating effectiveness of the key controls around recording and reserving process for reported claims, unreported claims and unearned premium; • testing samples of outstanding claims and related reinsurance recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated; • for major lines of business, we assessed the reasonableness of the key assumptions, such as loss ratios, risk factors, claims adjustment expenses, frequency and severity of claims, which were used in the valuation models and comparing them to the Group's historical data; • we evaluated whether reserving was consistent in approach, with sufficient justification for changes in assumptions. We used our industry knowledge to benchmark the Group's reserving methodologies and estimates of losses. Our audit focused on lines of business with most inherent uncertainty; • we also considered the appropriateness of information provided to external independent actuarial experts engaged by the Group and considered their scope of work and findings to corroborate adequacy of management estimates on claims reserving; and • evaluating the adequacy of the Group's disclosures related to technical insurance provisions in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Valuation and impairment of available-for-sale financial investments

(refer to the use of estimate and management judgment in note 5(b)(iii), accounting policy in note 5(a)(xii) and disclosures in note 8 to the consolidated financial statements)

Description	How the matter was addressed in our audit
We focused on this matter because • as at 31 December 2020, the Group's financial investments comprise %32.5 of total assets in the consolidated financial statements and is considered one of the drivers of operations and performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant risk of judgment because they mainly comprise liquid, quoted investments. However due to their materiality in the context of the consolidated financial statements as a whole, they are considered to be one of the areas which we focused on; • as at 31 December 2020, a significant amount, representing %82.2 of total financial investments, comprise "available-for-sale securities" having carrying value of BD 29.6 million, which is subject to impairment assessment; and • the Group makes subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.	**Our audit procedures, amongst others, included** • testing the design and operating effectiveness of the key controls over process of recording investment transactions and valuation of the quoted investment portfolio; • with assistance of our valuation specialists, agreeing and evaluating the valuation of the quoted equity and debt securities and managed funds to externally quoted prices; and • for unlisted managed funds, comparing the carrying values with the most recent Net Assets Values of the underlying funds. For impairment of available-for-sale equity securities and managed funds, we: • examined whether management has identified all investments that have experienced a decline in fair value below cost; and • evaluated the reasonableness and consistency of the application of the criteria to determine that a significant or prolonged decline in fair value below cost has led to recognition of impairment. For impairment of available for sale debt securities, we • evaluated individual debt security for any signs of significant financial difficulty of the issuer; • assessed if there has been a default or past due event; and • assessed if there has been a significant drop in fair value. We also evaluated the adequacy of the Group's disclosures in relation to valuation and impairment of available for sale financial investments by reference to the requirements of the relevant accounting standards.

Impairment of insurance receivables and recoveries

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

Description	How the matter was addressed in our audit
We focused on this matter because • as at 31 December 2020, the Group had significant insurance receivables from policyholders, other insurance companies and recoverable amounts from reinsurance companies, representing %9.8 of Group's total assets; • the Group faces a risk of non-recoverability of these receivables due to financial difficulties of the counter parties; • estimation of the recoverable amount and determining the level of impairment allowance involves judgement and estimation uncertainty; and • the Group makes subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.	**Our audit procedures, amongst others, included** • testing the design and operating effectiveness of the key controls over the process of collection and identification of doubtful balances; • focusing on those accounts with the most significant potential impact on the consolidated financial statements, results of reconciliation of statement of accounts and receipts subsequent to the year-end; and • evaluating the adequacy of the Group's disclosures related to credit risk on insurance receivables and impairment allowance in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Other information

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

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

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

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

Responsibilities of the board of directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

1. As required by the Commercial Companies Law, we report that:
   a. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   b. the financial information contained in the chairman's report is consistent with the consolidated financial statements;
   c. we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association, that would have had a material adverse effect on the business of the Company or on its financial position; and
   d. satisfactory explanations and information have been provided to us by management in response to all our requests.
2. As required by the Ministry of Industry, Commerce & Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a. a corporate governance officer; and
   b. a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG Fakhro
Partner Registration No. 137
22 February 2021

Consolidated statement of financial position

As at 31 December 2020

(In thousands of Bahraini Dinars)

	Note	2020	2019
Assets			
Cash and cash equivalents	6	**5,991**	4,254
Placements with banks	6	**12,962**	14,767
Insurance and other assets	7	**9,879**	11,493
Financial investments	8	**35,967**	32,148
Equity accounted investees	9	**18,885**	18,520
Reinsurers' share of insurance technical reserves	10	**19,399**	16,772
Deferred acquisition cost	27	**814**	732
Investment properties	12	**2,564**	2,731
Intangible assets	13	**271**	266
Property and equipment	14	**3,825**	4,024
Statutory deposits	15	**129**	125
Total assets		**110,686**	**105,832**
Liabilities			
Insurance technical reserves	16	**37,508**	35,958
Insurance payables	20	**6,608**	6,102
Other provisions and liabilities	21	**6,101**	7,117
Total liabilities		**50,217**	**49,177**
Net assets		**60,469**	**56,655**
Equity			
Share capital	23b	**11,918**	11,918
Treasury shares	23c	**(1,868)**	(1,868)
Share premium	23g	**3,990**	3,990
Statutory reserve	24a	**5,959**	5,959
General reserve	24b	**13,585**	13,585
Fair value reserve	24c	**5,596**	4,615
Retained earnings		**18,071**	15,641
Equity attributable to shareholders of the Parent company		**57,251**	**53,840**
Non-controlling interest	11	**3,218**	2,815
Total equity		**60,469**	**56,655**

The consolidated financial statements were approved by the Board of Directors on 22 February 2021 and signed on its behalf by:

Farooq Yusuf Almoayyed
Chairman

Abdulhusain Khalil Dewani
Vice Chairman

Sameer AlWazzan
Chief Executive Officer

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

Consolidated statement of profit or loss

For the year ended 31 December 2020

(In thousands of Bahraini Dinars)

	Note	2020	2019
Gross insurance premiums	26	**36,700**	33,804
Reinsurers' share of gross insurance premiums		**(19,917)**	(17,038)
Retained premiums		**16,783**	16,766
Net change in reserve for unearned premiums	18	**(237)**	739
Net premiums earned		**16,546**	**17,505**
Gross claims paid		**(23,570)**	(22,206)
Claims recoveries		**12,830**	11,654
Outstanding claims adjustment – gross	17d	**758**	(4,403)
Outstanding claims adjustment – reinsurance	17d	**432**	3,876
Net claims incurred		**(9,550)**	**(11,079)**
Gross underwriting profit		**6,996**	**6,426**
Actuarial adjustment on life assurance obligation	19	**260**	-
Net commission and fee income	27	**569**	465
Impairment losses on insurance receivables	7	**(535)**	(1,003)
General and administration expenses – underwriting	30a	**(4,033)**	(3,891)
Other income		**347**	59
Net underwriting profit		**3,604**	**2,056**
Net investment income	28	**2,606**	3,097
Impairment losses on investment	29	**(220)**	(89)
Share of profit of equity accounted investees	9	**1,022**	1,618
Net income from road assist services		**301**	242
General and administration expenses - non-underwriting	30b	**(2,219)**	(1,905)
Other income		**120**	8
Profit for the year		**5,214**	**5,027**
Profit attributable to:			
Parent company		**4,937**	4,792
Non-controlling interest	11	**277**	235
		5,214	5,027
Basic and diluted earnings per share (per 100 fils)	**23d, e**	**43.8 fils**	**42.6 fils**

Farooq Yusuf Almoayyed
Chairman

Abdulhusain Khalil Dewani
Vice Chairman

Sameer AlWazzan
Chief Executive Officer

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

Consolidated statement of comprehensive income

For the year ended 31 December 2019

(In thousands of Bahraini Dinars)

	Note	2020	2019
Profit for the year		**5,214**	**5,027**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Available-for-sale securities:			
. Change in fair value		**1,854**	3,270
. Transfer to statement of profit or loss on impairment of securities		**220**	77
. Transfer to statement of profit or loss on disposal of securities	28	**(900)**	(1,335)
Share of other comprehensive income of equity accounted investees		**(67)**	121
Other comprehensive income		**1,107**	**2,133**
Total comprehensive income		**6,321**	**7,160**
Total comprehensive income attributable to:			
Parent company		**5,918**	6,709
Non-controlling interest	11	**403**	451
		6,321	**7,160**

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

Consolidated statement of changes in equity

For the year ended 31 December 2020

(In thousands of Bahraini Dinars)

2020	Attributable to the shareholders of the Parent company								Non-controlling Interest	Total Equity
	Share capital	Treasury Share	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total		
Balance at 1 January	11,918	(1,868)	3,990	5,959	13,585	4,615	15,641	53,840	2,815	56,655
Profit for the year	-	-	-	-	-	-	4,937	4,937	277	5,214
Other comprehensive income	-	-	-	-	-	981	-	981	126	1,107
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**981**	**4,937**	**5,918**	**403**	**6,321**
Dividends declared for 2019	-	-	-	-	-	-	(2,477)	(2,477)	-	(2,477)
Donations declared for 2019	-	-	-	-	-	-	(30)	(30)	-	(30)
Appropriations approved by shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(2,507)**	**(2,507)**	**-**	**(2,507)**
Balance at 31 December	**11,918**	**(1,868)**	**3,990**	**5,959**	**13,585**	**5,596**	**18,071**	**57,251**	**3,218**	**60,469**

2019	Attributable to the shareholders of the Parent company								Non-controlling Interest	Total Equity
	Share capital	Treasury Share	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total		
Balance at 1 January	11,918	(1,868)	3,990	5,959	13,585	2,698	12,568	48,850	2,504	51,354
Profit for the year	-	-	-	-	-	-	4,792	4,792	235	5,027
Other comprehensive income	-	-	-	-	-	1,917	-	1,917	216	2,133
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,917**	**4,792**	**6,709**	**451**	**7,160**
Dividends declared for 2018	-	-	-	-	-	-	(1,689)	(1,689)	(140)	(1,829)
Donations declared for 2018	-	-	-	-	-	-	(30)	(30)	-	(30)
Appropriations approved by shareholders	-	-	-	-	-	-	(1,719)	(1,719)	(140)	(1,859)
Balance at 31 December	11,918	(1,868)	3,990	5,959	13,585	4,615	15,641	53,840	2,815	56,655

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

Consolidated statement of cash flows

For the year ended 31 December 2020

(In thousands of Bahraini Dinars)

	Note	2020	2019
Operating Activities			
Insurance operations			
Premiums and service fees received, net of acquisition costs		36,941	33,175
Payments to insurance and reinsurance companies		(20,492)	(15,833)
Claims paid to policyholders		(22,868)	(22,326)
Claims recovered from reinsurers and salvage recoveries		13,891	11,623
Cash flows from insurance operations		**7,472**	**6,639**
Investment operations			
Dividends and interest received		1,641	1,720
Proceeds from sale and redemptions of financial investments		16,615	10,771
Payments for purchases of financial investments		(18,247)	(7,784)
Bank deposits with maturities of more than three months		(13,090)	(14,767)
Redemption proceeds from bank deposits		14,892	3,497
Dividends received from equity accounted investees		590	957
Payment for investment in equity accounted investee		-	(105)
Advance for investment in equity accounted investee		(137)	-
Payment for investment properties		(2)	(10)
Rent received		359	254
Cash flows from / (used in) investment operations		**2,621**	**(5,467)**
Expenses paid		(5,305)	(6,166)
Cash flows from / (used in) operating activities		**4,788**	**(4,994)**
Investment activities			
Purchase of equipment and intangible assets		(154)	(44)
Cash flows used in investment activities		**(154)**	**(44)**
Financing Activities			
Dividends paid to shareholders		(2,706)	(1,623)
Dividends paid to non-controlling interest		-	(140)
Donations paid		(96)	(32)
Payments of lease liabilities		(95)	(94)
Cash flows used in financing activities		**(2,897)**	**(1,889)**
Net (decrease) / increase in cash and cash equivalents		**1,737**	**(6,927)**
Cash and cash equivalents at 1 January		4,254	11,181
Cash and cash equivalents at 31 December	**6**	**5,991**	**4,254**

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

Notes to the consolidated financial statements

For the year ended 31 December 2020

1. Reporting Entity

Bahrain National Holding B.S.C (the "Company") is domiciled in Kingdom of Bahrain. The Company's registered office at 9th floor, BNH Tower, Seef Business District, Manama, Kingdom of Bahrain, P.O. Box 843.

These consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in insurance and investment activities.

2. Basis of accounting and measurment

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

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

These consolidated financial statements were authorized for issue by the board of directors on 22 February 2021.

a. Functional and presentation currency

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

b. Use of judgments and estimates

The preparation of consolidated 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 5 (b).

c. New amendments and interpretations effective from 1 January 2020

The following amendments and interpretations that became effective as of 1 January 2020 and are relevant to the Group:

i. Amendments to References to Conceptual Framework in IFRS Standards

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

ii. Definition of a Business (Amendments to IFRS 3)

The amended definition of a business is narrowed and clarified. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendment requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The term 'outputs' focuses on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendment includes an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

iii. Definition of Material (Amendments to IAS 1)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general- purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

iv. Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The amendments are effective for annual reporting periods beginning on or after 1 January 2020

The adoption of this amendment is not applicable to the Group and has no 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 2021 and earlier application is permitted.

i. COVID-19-Related Rent Concessions (Amendment to IFRS 16)

In response to the COVID-19 coronavirus pandemic, the IASB has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:

(i) the revised consideration is substantially the same or less than the original consideration;
(ii) the reduction in lease payments relates to payments due on or before 30 June 2021; and
(iii) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

(i) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
(ii) the amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted.

The Group adopted the practical expedient to all eligible rent concessions and recognized BD 6 thousand as other income arising from the application of the practical expedient.

ii. Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16)

The amendments made to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 provide certain reliefs in relation to interest rate benchmark reforms. The post-IBOR reform is when the uncertainty goes away, and companies update the rates in their contracts and the details of their hedging relationships. The amendments are effective for annual reporting periods beginning on or after 1 January 2021

The adoption of this amendment is not applicable to the Group and has no impact on the consolidated financial statements.

iii. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

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

iv. Annual Improvements to IFRS Standards 2018 – 2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. The following are the key amendments in brief:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by reducing undue costs and avoiding the need to maintain parallel sets of accounting records.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022

v. Reference to the Conceptual Framework (Amendments to IFRS 3)

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

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

vi. IFRS 17 Insurance Contracts

IFRS 17 "Insurance Contracts" was issued in May 2017 to replace the existing IFRS 4, "Insurance Contracts". IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue the insurance contracts, as well as to certain guarantees and financial instruments with discretionary participation features, with scope exceptions will apply.

The standard applies to annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group intends to adopt the new standard on its mandatory effective date, alongside the adoption of IFRS 9.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful & consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
- A specific adaptation for contracts with direct participation features (the variable fee approach).

IFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under IFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) such as the Group's with-profits products, the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

IFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be different from existing premium revenue measures, currently reported in the income statement. In order to transition to IFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. The CSM to be calculated as if the standard had applied retrospectively. However, if this is not practical an entity is required to choose either a simplified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods

The optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

IFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques.

The effect of changes required to the Group's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of IFRS profit recognition.

The Group has an implementation programme underway to implement IFRS 17 and IFRS 9. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Group remains on track to start providing IFRS 17 financial statements in line with the requirements for interim reporting at its effective date, which is from 1 January 2023.

vii. IFRS 9 Financial Instruments

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

These amendments include an optional temporary exemption from applying IFRS 9 and the associated amendments until IFRS 17 comes into effect. This temporary exemption is available to companies whose predominant activity is to issue insurance contracts based on meeting the eligibility criteria as at 31 December 2015 as set out in the amendments. The summarized impact of IFRS 9 application on the Group's insurance and non-insurance is as follows:

a. IFRS 9 impact on insurance activities:

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

b. IFRS 9 impact on non-insurance equity accounted investees:

The Group has certain non-insurance equity accounted investees which do not qualify for delay in the application of IFRS 9 and have adopted IFRS 9 from 1 January 2018. Although the Group opted to apply the temporary exemption available under IFRS 4 as determined above, it has retained the application of IFRS 9 on its non-insurance equity accounted investees as per IFRS 4.

The effect of initially applying this standard is mainly attributed to an increase in impairment losses recognized on financial assets.

The Group recognized the cumulative effect of initially applying IFRS 9 on its non-insurance equity accounted investees as an adjustment to the opening retained earnings balance at 1 January 2018.

IFRS 9 Classification and measurement of financial assets and financial liabilities

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

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

IFRS 9 - Impairment of financial assets

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

The Group has an implementation program underway to implement IFRS 17 and IFRS 9. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes. The Group is in process assessing the impact of applying IFRS 9, but these can be expected to be significant.

The Group remains on track to start providing IFRS 17 and IFRS 9 financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023.

viii. Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional ‘right to defer’ settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further , ‘a right to defer’ exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company’s own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company’s own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognizes the full gain on the loss of control. But under the standard on associates and JVs, the parent recognizes the gain only to the extent of unrelated investors’ interests in the associate or JV. In either case, the loss is recognized in full if the underlying assets are impaired. The amendments require the full gain to be recognized when the assets transferred meet the definition of a ‘business’ under IFRS 3 Business Combinations.

The effective date for these changes has now been postponed until the completion of a broader review.

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

3. Basis of consolidation

a. Business combinations

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

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

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

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

b. Subsidiaries

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

c. Non-controlling interest (NCI)

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

d. Loss of control

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

e. Interest in equity-accounted investees

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

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

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

f. Transactions eliminated on consolidation

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

4. Change in accounting policies

Except for the adoption of COVID-19-Related Rent Concessions (Amendment to IFRS 16), the Group has consistently applied the accounting policies to all periods presented in these financial statements.

5. Significant accounting policies, estimates and judgements

a. Significant Accounting Policies

i. Insurance and investment contracts

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

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

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

ii. General insurance business

Gross insurance premiums

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

Reinsurers' share of gross insurance premiums

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

Unearned premiums

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

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

Gross claims paid

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

Claims recoveries

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

Outstanding claims

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

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

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

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

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

Commission income

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

Deferred commission and acquisition costs

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

Salvage and subrogation reimbursements

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

General and administration expenses

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

iii. Life assurance business

The life assurance operations underwrites two categories of policies:

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

Gross insurance premiums

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

Reinsurers' share of gross insurance premiums

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

Life assurance actuarial reserve

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

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

Gross claims paid

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

Claims recoveries

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

Outstanding claims

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

Acquisition costs

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

Fee and commission income

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

Bonuses

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

iv. Liability adequacy test

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

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

v. Reinsurance contracts

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

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

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

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

iv. Financial assets and financial liabilities

Classification

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

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

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

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

Recognition and de-recognition

Investment securities are initially recognized 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 recognized at fair value, and transaction cost are expensed in the profit or loss. Investments are derecognized 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 recognized in the consolidated statement of profit or loss in the period in which they arise. Gains and losses arising from a change in the fair value of available-for-sale investments are recognized 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 recognized 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 recognized in other comprehensive income are transferred to the consolidated statement of profit or loss.

vii. Receivables

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

viii. Cash and cash equivalents

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

ix. Intangible assets

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

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

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

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

x. Property and equipment

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

Subsequent expenditure

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

Depreciation

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

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

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

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

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

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

xi. Investment properties

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

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

xii. Leases

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

As a lessee

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rat e. initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in- substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, (including IT equipment). The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case. then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

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

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

xiii. Impairment of assets

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

Financial assets carried at amortised cost

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

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

Impairment of available-for-sale investments

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

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

For available-for-sale investments carried at cost, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognized 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 recognized whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

xiv. Employees' benefits

Bahraini employees

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

Expatriate employees

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

Employee savings scheme

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

xv. Share Capital

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

xvi. Dividends

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

xvii. Directors' remunerations

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

xviii. Segment reporting

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

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

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

xix. Foreign currency translation

Transactions and balances

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

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

Other group companies

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

b. Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

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

ii. Life assurance actuarial reserve estimation

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

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

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

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

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

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

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

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

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

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

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

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

iv. Classification of investments

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

v. Classification of Arabian Shield Cooperative Insurance Company (ASCIC) 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 ASCIC. An associate is an entity over which the investor has significant influence. The Group exercises significant influence over ASCIC, 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 ASCIC. The Group's extent of ownership is also significant relative to other shareholders.

6. Cash and balances with banks

	2020	2019
Cash and bank current accounts	**5,991**	**4,254**
Cash and cash equivalents	**5,991**	4,254
Placements with banks with maturities of more than three months	**12,962**	**14,767**
Total cash and balances with banks	**18,953**	19,021

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

7. Insurance and other assets

	2020	2019
Insurance receivables		
Policyholders	6,252	5,847
Provision for impairment of receivables from policyholders	(1,709)	(1,213)
Insurance and reinsurance companies	4,641	5,663
Provision for impairment of receivables from insurance and reinsurance companies	(1,270)	(1,231)
	7,914	9,066
Other assets		
Accrued income	1,039	1,151
Rent receivables	193	225
Provision for impairment of rent receivables	(139)	(119)
VAT recoverable	217	204
Recoverable deposits	187	651
Prepayments and advances	108	134
Others	360	181
	1,965	2,427
	9,879	11,493
Movement in provision for impairment during the year is as follow:		
Opening balance	2,563	1,513
Charged on insurance receivables, net	535	1,003
Charged on rent receivables, net	20	47
	3,118	2,563

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

8. Financial investments

	2020	2019
Securities carried at fair value through profit or loss	2,285	1,769
Available-for-sale securities	29,552	27,380
Held-to-maturity securities	4,130	2,999
	35,967	32,148

A. Securities carried at fair value through profit or loss

	2020	2019
Listed securities:		
• Equity securities	280	275
• Government debt securities	221	226
• Corporate debt securities	893	529
• Managed funds	847	718
Unlisted funds	44	21
	2,285	1,769
Movement during the year:		
Opening balance	1,769	1,966
Purchases	882	606
Sales	(505)	(970)
Fair value movement	139	167
	2,285	1,769

B. Available-for-sale securities

	2020	2019
Listed securities:		
• Equity securities	11,326	9,197
• Government debt securities	2,558	2,164
• Corporate debt securities	7,969	7,724
• Treasury bills	-	1,246
• Managed funds	5,635	5,322
Unlisted securities and funds	2,064	1,727
	29,552	27,380
Movement during the year:		
Opening balance	27,380	25,809
Purchases	15,333	7,206
Disposals	(14,336)	(7,645)
Fair value movement	1,395	2,099
	29,772	27,469
Impairment losses	(220)	(89)
	29,552	27,380

Investments in unlisted securities and funds include investments of BD 5 thousand (2019: BD 5 thousand) carried at cost less impairment in the absence of a reliable measure of fair value.

C. Held-to-maturity securities

	Fair value		Carrying value	
	2020	2019	**2020**	2019
Government debt securities	2,175	2,639	2,192	2,485
Corporate debt securities	2,244	539	1,938	514
	4,419	3,178	**4,130**	2,999
Movement during the year:				
Opening balance			2,999	3,989
Purchases			2,013	-
Matured securities			(910)	(978)
Exchange gains / (losses)			28	(12)
			4,130	2,999

D. Policyholders' investments

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

	2020	2019
Cash equivalents	208	55
Placements with banks	624	1,017
Financial investments	2,972	2,351
	3,804	3,423
Actuarial estimate of the present value of future benefit obligations at 31 December (note 19)	**3,159**	3,291

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

9. Equity accounted investees

A. Interests in associates

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

Name of the entity	Location of business / country	Percentage of ownership interest 2020	2019	Nature of relationship	Principal activities
National Finance House BSC (c)	Kingdom of Bahrain	34.93%	34.93%	Associate	Engaged in consumer and auto finance business
Al Kindi Specialised Hospital W.L.L.	Kingdom of Bahrain	27%	27%	Associate	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20%	20%	Associate	Primarily provides insurance coverage for motor vehicles
Arabian Shield Cooperative Insurance Company	Kingdom of Saudi Arabia	15%	15%	Associate	Transact various types of general insurance business
Health 360 Ancillary Services W.L.L.	Kingdom of Bahrain	26.2%	26.2%	Associate	Processing insurance claims as a third party administrator

B. The movement in the investment in associates is as follows:

2020	**National Finance House**	**Al Kindi Specialised Hospital**	**United Insurance Company**	**Arabian Shield Cooperative Insurance Company***	**Health 360 Ancillary Services**	**Total**
Opening balance	5,235	1,783	**2,985**	8,378	139	**18,520**
Share of profit	130	62	378	406	46	**1,022**
Dividends received	-	(30)	(550)	-	(10)	**(590)**
Share of other comprehensive income	-	**58**	(52)	(73)	-	**(67)**
	5,365	**1,873**	**2,761**	**8,711**	**175**	**18,885**

2019	National Finance House	Al Kindi Specialised Hospital	United Insurance Company	Arabian Shield Cooperative Insurance Company*	Health 360 Ancillary Services	Total
Opening balance	5,070	1,726	2,669	8,168	-	17,633
Investments	-	-	-	-	105	105
Share of profit	375	104	934	171	34	1,618
Dividends received	(210)	(47)	(700)	-	-	(957)
Share of other comprehensive income	-	-	82	39	-	121
	5,235	1,783	2,985	8,378	139	18,520

*The market value of Group's investments in Arabian Shield Cooperative Insurance Company based on the price quoted in Tadawul Stock Exchange in Saudi as at 31 December 2020 was BD 10,915 thousand (31 December 2019: BD 7,776 thousand).

C. Latest available financial information of the material associates of the Group are as follows:

2020	**National Finance House**	**United Insurance Company**	**Arabian Shield Cooperative Insurance Company**
Total assets	57,154	23,593	**120,909**
Total liabilities	41,796	9,787	75,028
Net assets	15,358	13,806	45,881
Group's share of net assets	**5,365**	**2,761**	**6,883**
Goodwill	-	-	1,828
Carrying amount of interest in associate	**5,365**	**2,761**	**8,711**
Revenue	3,502	2,917	57,350
Profit	370	1,889	2,715
Other comprehensive income	-	(259)	(488)
Total comprehensive income	370	1,630	2,227
Group's share in total comprehensive income	**130**	**326**	**333**

2019	National Finance House	United Insurance Company	Arabian Shield Cooperative Insurance Company
Total assets	54,644	27,262	108,911
Total liabilities	39,657	12,336	65,258
Net assets	14,987	14,926	43,653
Group's share of net assets	5,235	2,985	6,550
Goodwill	-	-	1,828
Carrying amount of interest in associate	5,235	2,985	8,378
Revenue	3,188	9,924	52,078
Profit	1,070	4,674	1,140
Other comprehensive income	-	410	260
Total comprehensive income	1,070	5,084	1,400
Group's share in total comprehensive income	375	1,016	210

D. Reporting dates of financial information of associates

For equity accounting and for disclosing financial information of the Arabian Shield Cooperative Insurance Company, the information taken from the unaudited interim financial information for the nine months ended 30 September 2020 and 2019. For the other associates, the information is taken from the financial information for the year ended 31 December 2020 and 2019.

10. Reinsurers' shares of insurance technical reserves

	2020	2019
Outstanding claims recoverable from reinsurers (note 17)	10,461	10,029
Reinsurers' share of unearned premiums (note 18)	8,938	6,743
	19,399	**16,772**

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

11. Investment in subsidiaries

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

			Ownership interest held by the Group		**Ownership interest held by non-controlling interest**		
Name of the entity	**Place of business / country of incorporation**	**Date of incorporation**	**2020**	2019	**2020**	2019	**Principal activities**
Bahrain National Insurance BSC (c)	Kingdom of Bahrain	30 Dec 1998	**100%**	100%	**-**	-	Transact various types of general insurance business.
Bahrain National Life Assurance BSC (c)	Kingdom of Bahrain	4 Oct 2000	**75%**	75%	**25%**	25%	Transact the business of life assurance, medical insurance, retirement planning and savings.
iAssist Middle East WLL	Kingdom of Bahrain	14 Jan 2010	**100%**	100%	**-**	-	Transact the business of automobile smash repairs, roadside assistance and automobile services.

Subsidiary with material non-controlling interests

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

Bahrain National Life Assurance BSC (c)	2020	2019
Cash and cash equivalents	1,795	775
Placements with banks	1,813	3,114
Insurance and other receivables	1,895	2,599
Reinsurers' share of insurance technical reserves	2,300	2,670
Deferred acquisition costs	176	174
Financial investments	14,298	11,841
Intangible assets	26	31
Equipment	181	196
Statutory deposits	51	50
Insurance technical reserves	(7,940)	(8,187)
Insurance payables	(910)	(1,192)
Other liabilities	(869)	(857)
Net assets (100%)	**12,816**	11,214
Net assets attributable to NCI	**3,218**	2,815
Net premium earned	4,268	3,720
Net claims incurred	(2,972)	(2,318)
Impairment reversal / (losses) on receivables	10	(11)
General and administration expenses – underwriting	(991)	(861)
Net commission expenses	(100)	(154)
Actuarial adjustment on life assurance obligation	260	-
Other income	61	16
Net investment income	797	674
Impairment losses on investment	(115)	(23)
General and administration expenses - non-underwriting	(111)	(102)
Net profit	**1,107**	941
Other comprehensive income	505	865
Total comprehensive income	**1,612**	**1,806**

	2020	2019
NCI's share of profit (25%)	**277**	**235**
NCI's share of total comprehensive income (25%)	**403**	**451**
Cash flows from/ (used in) operating activities	802	(51)
Cash flows from / (used in) investing activities	261	(611)
Cash flows used in financing activities, before dividends to NCI	(20)	(440)
Cash flows used in financing activities, cash dividends to NCI	-	(140)
Donations paid	(23)	(15)
Net change in cash and cash equivalents	**1,020**	(1,257)

12. Investment properties

2020	**BNH Tower in Seef**	**BNH Building in Sanad**	**Total**
Cost			
At 1 January	2,922	1,925	4,847
Additions	-	2	2
At 31 December	**2,922**	**1,927**	**4,849**
Accumulated depreciation			
At 1 January	1,572	544	2,116
Depreciation	92	77	169
At 31 December	**1,664**	**621**	**2,285**
Net book value at 31 December	**1,258**	**1,306**	**2,564**
Fair value at 31 December	**2,486**	**2,865**	**5,351**

2019	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,798	1,925	4,723
Additions	6	-	6
Reclassified from Property and Equipment	118	-	118
At 31 December	2,922	1,925	4,847
Accumulated depreciation			
At 1 January	1,482	467	1,949
Depreciation	90	77	167
At 31 December	1,572	544	2,116
Net book value at 31 December	1,350	1,381	2,731
Fair value at 31 December	2,067	1,745	3,812

The fair value was determined by external, independent property valuators, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The valuation has been prepared on the basis of Market as defined by the RICS Valuation Professional Standards (July 2017). The Income Capitalisation approach was applied in considering the Market Value of the properties.

13. Intangible assets

2020	**Goodwill**	**Software**	**Development cost**	**Total**
Cost				
At 1 January	74	1,769	104	1,947
Additions	-	8	35	43
At 31 December	**74**	**1,777**	**139**	**1,990**
Accumulated depreciation				
At 1 January	-	1,681	-	1,681
Amortisation	-	38	-	38
At 31 December	**-**	**1,719**	**-**	**1,719**
Net book value at 31 December	**74**	**58**	**139**	**271**

2019	Goodwill	Software	Development cost	Total
Cost				
At 1 January	74	1,768	69	1,911
Additions	-	1	35	36
At 31 December	74	1,769	104	1,947
Accumulated depreciation				
At 1 January	-	1,636	-	1,636
Amortisation	-	45	-	45
At 31 December	-	1,681	-	1,681
Net book value at 31 December	74	88	104	266

14. Property and equipment

2020	**Right-of- use assets**	**Lands and buildings**	**Machinery**	**Furniture & equipment**	**Capital work-in-progress**	**Total**
Cost						
At 1 January	641	4,865	755	1,787	8	8,056
Additions	25	-	12	89	-	126
Disposals	(7)	-	-	(26)	-	(33)
Transfers	-	-	8	-	(8)	-
At 31 December	**659**	**4,865**	**775**	**1,850**	**-**	**8,149**
Accumulated depreciation						
At 1 January	71	1,731	729	1,501	-	4,032
Depreciation	67	120	8	130	-	325
Disposals	(7)	-	-	(26)	-	(33)
At 31 December	**131**	**1,851**	**737**	**1,605**	**-**	**4,324**
Net book value at 31 December	**528**	**3,014**	**38**	**245**	**-**	**3,825**

2019	Right-of- use assets	Lands and buildings	Machinery	Furniture & equipment	Capital work-in-progress	Total
Cost						
At 1 January	-	4,747	749	1,743	225	7,464
Initial recognition (IFRS 16)	641	-	-	-	-	641
Additions	-	-	6	103	21	130
Disposals	-	-	-	(61)	-	(61)
Transfers	-	118	-	2	(120)	-
Reclassified to investment properties	-	-	-	-	(118)	(118)
At 31 December	641	4,865	755	1,787	8	8,056
Accumulated depreciation						
At 1 January	-	1,603	723	1,410	-	3,736
Depreciation	71	128	6	151	-	356
Disposals	-	-	-	(60)	-	(60)
At 31 December	71	1,731	729	1,501	-	4,032
Net book value at 31 December	570	3,134	26	286	8	4,024

15. Statutory deposits

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

	2020	2019
Deposit	125	125
Interest for the year	4	-
	129	**125**

16. Insurance technical reserves

	2019	2018
Outstanding claims - gross (note 17)	17,218	17,976
Unearned gross insurance premiums (note 18)	16,181	13,749
Unearned commissions income (note 27)	686	713
Life assurance actuarial reserve (note 19)	3,423	3,520
	37,508	**35,958**

17. Outstanding claims

A. Claims development

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

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

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

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

i. Gross insurance claims for general insurance business

Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs:											
At end of reporting year	5,420	3,883	7,275	5,550	8,850	4,772	4,798	6,577	8,114	**7,510**	62,749
One year later	5,950	4,632	7,512	7,510	8,928	5,833	5,813	6,512	**9,357**		62,047
Two year later	6,074	5,140	6,059	7,957	9,433	5,934	5,788	**7,806**			54,191
Three year later	6,120	4,970	5,972	7,901	9,629	5,729	**7,240**				47,561
Four year later	6,072	4,948	5,818	7,979	9,589	**6,349**					40,755
Five year later	5,940	4,789	5,897	8,058	**5,869**						30,553
Six year later	5,313	4,869	5,926	**9,642**							25,750
Seven year later	5,385	5,055	**8,088**								18,528
Eight year later	5,372	**5,937**									11,309
Nine year later	**5,161**										5,161
Current estimate of cumulative claims **(A)**	5,161	5,937	8,088	9,642	5,869	6,349	7,240	7,806	9,357	7,510	72,959
Cumulative payments to date **(B)**	4,800	5,805	7,856	9,431	5,617	6,058	6,973	6,046	4,954	-	57,540
Total (A – B)	**361**	**132**	**232**	**211**	**252**	**291**	**267**	**1,760**	**4,403**	**7,510**	**15,419**
Reserve in respect of years prior to 2011											110
Total gross reserve included in the statement of financial position											**15,529**

ii. Gross outstanding claims for life and medical insurance business amounted to BD 1,689 thousand.

iii. Net insurance claims for general insurance business

Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs:											
At end of reporting year	1,986	1,949	3,409	2,281	2,083	2,201	2,888	4,477	5,791	**3,438**	30,503
One year later	2,383	2,259	3,356	2,874	2,794	3,122	3,360	3,452	**3,721**		27,321
Two year later	2,496	2,263	3,279	3,260	3,142	3,442	2,215	**3,642**			23,739
Three year later	2,590	2,179	3,153	3,320	3,364	2,872	**4,241**				21,719
Four year later	2,602	2,117	3,132	3,403	2,993	**2,596**					16,843
Five year later	2,460	2,104	3,178	3,286	**2,887**						13,915
Six year later	2,436	2,193	3,138	**3,121**							10,888
Seven year later	2,463	2,240	**3,341**								8,044
Eight year later	2,442	**3,150**									5,592
Nine year later	**2,288**										2,288
Current estimate of cumulative claims **(A)**	2,288	3,150	3,341	3,121	2,887	2,596	4,241	3,642	3,721	3,438	32,425
Cumulative payments to date **(B)**	2,265	3,120	3,309	3,095	2,862	2,535	4,031	3,030	2,123	-	26,370
Total (A – B)	**23**	**30**	**32**	**26**	**25**	**61**	**210**	**612**	**1,598**	**3,438**	**6,055**
Net reserve in respect of years prior to 2011											16
Total net reserve included in the statement of financial position											**6,071**

iv. Net outstanding claims for life and medical insurance business amounted to BD 686 thousand.

B. Changes in insurance assets and liabilities – general insurance

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	15,531	10,029	5,502	11,218	6,153	5,065
IBNR	2,445	-	2,445	2,355	-	2,355
Total at 1 January	17,976	10,029	7,947	13,573	6,153	7,420
Changes	22,812	13,262	9,550	26,609	15,530	11,079
Settled	(23,570)	(12,830)	(10,740)	(22,206)	(11,654)	(10,552)
Balance at 31 December	**17,218**	**10,461**	**6,757**	**17,976**	**10,029**	**7,947**
Reported claims	14,696	10,461	4,235	15,531	10,029	5,502
IBNR	2,522	-	2,522	2,445	-	2,445
Balance at 31 December	**17,218**	**10,461**	**6,757**	**17,976**	**10,029**	**7,947**

C. Sensitivity analysis

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

	Profit or loss & Equity	
	2020	**2019**
Non-Life Insurance		
Expense rate		
1 percent increase	(39)	(45)
1 percent decrease	39	45
Expected loss ratio		
1 percent increase	(89)	(105)
1 percent decrease	89	105
Life Assurance		
Demographic assumptions		
1 percent increase in base mortality rate	(5)	(5)
1 percent decrease in base mortality rate	5	5
Expense assumptions		
1 percent increase	(3)	(3)
1 percent decrease	3	3
Expected loss ratio		
1 percent increase	(7)	(7)
1 percent decrease	7	7

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

D. Movements in outstanding claims:

	Gross outstanding claims		Reinsurers' share		Net outstanding claims	
	2020	2019	**2020**	2019	**2020**	2019
At 1 January	17,976	13,573	10,029	6,153	7,947	7,420
Net movement during the year	(758)	4,403	432	3,876	(1,190)	527
At 31 December	**17,218**	17,976	**10,461**	10,029	**6,757**	7,947

18. Net change in reserves for unearned insurance premiums

	Unearned gross insurance premiums		Reinsurers' share		Net unearned premiums	
	2020	2019	**2020**	2019	**2020**	2019
At 1 January	13,749	14,034	6,743	6,289	7,006	7,745
Net movement during the year	2,432	(285)	2,195	454	237	(739)
At 31 December	**16,181**	13,749	**8,938**	6,743	**7,243**	7,006

19. Life assurance actuarial reserve and actuarial assumptions

	2020	2019
Life assurance actuarial reserve		
Balance at 1 January	3,520	3,166
Contributions received	186	227
Benefits paid	(269)	(199)
Actuarial adjustment on life assurance obligation	(260)	-
Management fee	(26)	(27)
Policyholder's share of net investment income	272	353
Balance at 31 December	**3,423**	3,520
Life assurance actuarial reserve per consolidated statement of financial position	**3,423**	3,520
Actuarial estimate of the present value of future benefit obligations at 31 December	**3,159**	3,291

The actuarial estimate has been prepared by independent actuaries, Actuscope Consulting Actuaries, Lebanon. The mortality rate assumptions used was 45%(2019: 45%) of the 80-75 Ultimate Mortality US Table and the valuation interest rate was set at 4.5% p.a. (4.5% :2019 p.a.). Allowances have been made for reinsurance, guaranteed bonuses, renewal expenses unexpired risks and contingencies where appropriate.

20. Insurance payables

	2020	2019
Policyholders – Claims	1,628	572
Insurance and reinsurance companies	4,980	5,530
Balance at 31 December	**6,608**	**6,102**

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

21. Other provisions and liabilities

	2020	2019
Vehicle repairers and spare parts	886	1,706
Premiums received in advance	778	738
Lease liabilities	556	588
VAT payables	338	395
Medical claims care fund	275	313
Provision for employees' benefits	644	574
Employees' leaving indemnities	502	454
Cash collateral	324	324
Unclaimed dividends - prior years	113	342
Hit and run levy fee	113	119
Other	1,572	1,564
Balance at 31 December	**6,101**	7,117

Lease liabilities

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

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

i. Right-of-use assets

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

ii. Lease liabilities

See note 32 for a maturity analysis of lease liabilities as at 31 December 2020 and 2019, and note 38 for the movements in lease liabilities for the years then ended.

iii. Amounts recognised in profit or loss

	2020	2019
Interest on lease liabilities	39	41
Expenses relating to short-term leases	19	20
Expenses relating to leases of low-value assets	9	3
	67	64

iv. Amounts recognised in the statement of cash flows

	2020	2019
Total cash outflow for leases	**95**	94

22. Retirement benefits cost

As at 31 December 2020, the Group employed 161 Bahrainis (153 :2019 Bahrainis) and 48 expatriates (53 :2019 expatriates).

Bahraini employees are covered by the pension scheme of Social Insurance Organisation of the Government of Bahrain. Employees and the Group contribute monthly to this scheme on a fixed-percentage-of-salaries basis. The Group's contributions in respect of Bahraini employees for 2020 amounted to BD 248 thousand (2019: BD 230 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 2020 amounted to BD 69 thousand (2019: BD 77 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 2020 amounted to BD 765 thousand (2019: BD 781 thousand) and is included in the Life assurance actuarial reserve (note 19). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (note 8d).

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

Movement in employees' leaving indemnities:

	2020	2019
Balance at 1 January	454	437
Payments	(1)	-
Charge during the year	49	17
Balance at 31 December	**502**	**454**

23. Share capital

	Number 2020	Amount 2020	Number 2019	Amount 2019
A. Authorised shares 100 fils each	**200,000,000**	**20,000**	200,000,000	20,000
B. Issued and fully paid	**119,175,000**	**11,918**	119,175,000	11,918

C. Treasury shares:

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

	Number 2020	Amount 2020	Number 2019	Amount 2019
Balance at 1 January	6,566,756	1,868	6,566,756	1,868
Balance at 31 December	**6,566,756**	**1,868**	6,566,756	1,868

D. Performance per 100 fils share (excluding treasury shares)

	2020	2019
Basic and diluted earnings per share – fils	43.8	42.6
Proposed cash dividend – fils	22.0	22.0
Net asset value – fils	536.8	503.1
Stock exchange price at 31 December – fils	350.0	330.0
Market capitalization at 31 December – in thousands of BD	41,711	39,328
Price/Earnings ratio at 31 December	8.0	7.7

E. Earnings per share

The calculation of earnings per share is based on the net profit attributable to the shareholders for the year of BD 4,937 thousand (2019: BD 4,792 thousand), attributable to 112,608,244 ordinary shares (2019: BD 112,608,244 ordinary shares) for basic earnings, being the weighted average number of ordinary shares outstanding during the year.

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

F. Major shareholders

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

	Nationality	No. of shares	Shareholding (%)
National Insurance Company	Iraqi	7,808,734	6.55
Abdulhameed Zainal Mohamed Zainal	Bahraini	7,559,507	6.34
Bahrain National Holding Co. (Treasury shares)	Bahraini	6,566,756	5.51

G. Share premium

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

H. Additional information on shareholding pattern

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

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

Categories*	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	590	47,226,221	39.63
1 % up to less than 5 %	23	50,013,782	41.97
5 % up to less than 10 %	3	21,934,997	18.40
TOTAL	**616**	**119,175,000**	**100.00**

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

24. Reserves

A. Statutory reserve

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

B. General reserves

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

C. Fair value reserve

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

25. Proposed appropriations and directors remuneration

	2020	2019
Profit as per consolidated statement of profit or loss	5,214	5,027
Net profit attributable to non-controlling interest	(277)	(235)
Profit attributable to shareholders of Parent company	**4,937**	**4,792**
Proposed appropriations:		
Dividend to shareholders	2,477	2,477
Retained earnings	2,460	2,315
	4,937	**4,792**

Proposed directors' remuneration is BD 161 thousand (2019: BD 106 thousand). The appropriation of the 2020 profit is subject to approval by shareholders at the Annual General Meeting.

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

26. Gross insurance premiums

	2020	2019
Direct Business	35,285	32,480
Inward Business	1,415	1,324
	36,700	33,804

27.Net commission and fee income

	2020	2019
Commission and fee income	2,059	2,091
Commission expenses	(1,599)	(1,566)
Adjustment for unearned commission income	27	(158)
Adjustment for deferred commission expense	82	98
	569	465

Movements in unearned commission income and deferred commission expense:

	Unearned commission income		Deferred commission expense	
	2020	2019	**2020**	2019
At 1 January	713	555	732	634
Net movement during the year	(27)	158	82	98
	686	713	**814**	732

28. Net investment income

	2020	2019
Interest income	1,207	1,254
Transfer from other comprehensive income on disposal of available-for-sale securities	900	1,335
Valuation gains on trading securities	139	181
Net losses on disposal of financial investments	59	(154)
Foreign exchange losses	(14)	(5)
Dividend income	556	825
Accretion of discount / (amortisation of premiums) on held-to-maturity securities	29	(6)
Investment administration expenses	(70)	(58)
Policyholders' share of investment income	(272)	(353)
Investment properties' income	329	373
Depreciation charges on investment properties	(169)	(167)
Other investment properties' expenses	(88)	(128)
	2,606	3,097

29. Impairment on investment

	2020	2019
Opening balance	601	844
Transfer on disposal of securities	-	(332)
Impairment losses for the year	220	89
	821	601

30. Expenses

A. General and administration expenses - underwriting	2020	2019
Employee costs	2,290	2,354
Depreciation and amortisation	303	271
Other costs	1,440	1,266
	4,033	3,891

B. General and administration expenses - non-underwriting	2020	2019
Employee costs	1,515	1,279
Depreciation and amortisation	133	131
Other costs	571	495
	2,219	1,905

31. Segmental information

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

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

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

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

Medical Insurance segment comprises medical insurance products.

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

Corporate segment comprises administrative and financial operations services for the Group's companies. These segments are the basis on which the Group reports its primary segment information.

2020	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	**11,256**	**15,258**	**6,909**	**3,492**	**-**	**(215)**	**36,700**
Net premiums earned	**11,258**	**1,139**	**3,323**	**945**	**-**	**(119)**	**16,546**
Net claims incurred	(6,288)	(361)	(2,267)	(705)	-	71	(9,550)
Actuarial adjustment on life assurance obligation	-	-	-	260	-	-	260
Impairment (losses)/reversal on insurance receivables	(334)	(208)	5	2	-	-	(535)
General and administration expenses – underwriting	(2,290)	(926)	(644)	(344)	-	171	(4,033)
Net commission (expense) / income	(265)	934	(95)	(5)	-	-	569
Other income	195	90	32	30	-	-	347
Net underwriting results	**2,276**	**668**	**354**	**183**	**-**	**123**	**3,604**
Net investment income	977	977	183	613	520	(664)	2,606
Impairment losses on investment	(53)	(53)	(26)	(88)	-	-	(220)
Share of profit of equity accounted investees	-	-	-	-	644	378	1,022
Net income from road assist services	301	-	-	-	-	-	301
Corporate Services fees	-	-	-	-	597	(597)	-
Other income	6	-	-	-	114	-	120
General and administration expenses - non-underwriting	(335)	(151)	(68)	(43)	(2,219)	597	(2,219)
Segment results	**3,172**	**1,441**	**443**	**665**	**(344)**	**(163)**	**5,214**

2019	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	11,904	12,592	6,395	3,138	-	(225)	33,804
Net premiums earned	12,743	1,169	2,755	965	-	(127)	17,505
Net claims incurred	(8,128)	(678)	(1,652)	(665)	-	44	(11,079)
Impairment losses on insurance receivables	(872)	(120)	(9)	(2)	-	-	(1,003)
General and administration expenses – underwriting	(2,337)	(889)	(560)	(301)	-	196	(3,891)
Net commission (expense) / income	(343)	963	(115)	(40)	-	-	465
Other income	22	21	7	9	-	-	59
Net underwriting results	1,085	466	426	(34)	-	113	2,056
Net investment income	1,339	1,339	236	438	559	(814)	3,097
Impairment losses on investment	(33)	(33)	(5)	(18)	-	-	(89)
Share of profit of equity accounted investees	-	-	-	-	684	934	1,618
Net income from road assist services	242	-	-	-	-	-	242
Corporate Services fees	-	-	-	-	597	(597)	-
Other income	-	-	-	-	8	-	8
General and administration expenses - non-underwriting	(344)	(151)	(64)	(38)	(1,905)	597	(1,905)
Segment results	2,289	1,621	593	348	(57)	233	5,027

Assets and liabilities are not reported on segment basis as these are managed on an aggregate basis.
Cash flows relating to segments are not disclosed separately as these are managed on an aggregate basis.

2020	**Bahrain**	**GCC**	**Other Countries**	**Total**
Gross insurance premiums	33,793	2,907	-	**36,700**
Non-current assets	29,096	14,396	14,168	**57,660**

2019	Bahrain	GCC	Other Countries	Total
Gross insurance premiums	33,084	720	-	33,804
Non-current assets	26,134	13,537	11,582	51,253

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

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

32. Insurance contracts, financial instruments and risk management

A. Risk management framework

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

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

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

B. Insurance Risk Management

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

The Group's risk profile is 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 technical funds required to meet any of the future liabilities that can arise out of these contracts.

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

ii. Reinsurance Policy

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

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

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

iii. Terms and conditions of insurance contracts

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property and Engineering	This contract indemnifies the insured against material damage to the property of the insured being buildings, contents, machinery and equipment, caused by specified perils, or against all risks subject to specific exclusion and limitations. The insured can extend the policy as the loss can also affect the potential income of the insured and therefore covers loss of income based on this business interruption.	The risk on any policy varies according to many factors such as location, age, occupancy, weather conditions and safety measures in place. The events insured against are fortuitous, sudden and unforeseen. Claims have to be notified within a specified period and a surveyor and/or loss adjustor is appointed in most cases. The loss would be the cost to repair, reinstate or replace the assets damaged bringing the insured to the same position before the loss. In cases of business interruption losses, time for completion are key factors influencing the level of claims under these policies.
Casualty (General Accident and Liability)	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of public. And to indemnify the insured against legal liability as a result of an act or omission inured against causing either bodily injury or third party property damage.	There are generally agreed benefits or amounts easily quantified for Casualty. In the case of liability claims these are very much dependent on factors beyond the control of the parties involved such as court proceedings and identification of medical conditions in the case of bodily injury. Estimating claims provisions for these claims involves uncertainties such as the reporting lag, the number of parties involved in the claim, whether the insured event is over multiple time periods and the potential amounts of the claim. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Marine Hull and Cargo	These are very standard contracts within the international spectrum and indemnify the insured against loss of cargo and in the case of hull against material damage to the hull or liability arising out of the use of the hull.	The nature of marine business especially cargo is cross border movement of goods and therefore tend to take longer to quantify or to establish the cause of loss. Underwriters use various loss adjustors to protect their interest. The main risk is the establishing the correct cause of loss. Most of these losses will initiate rights of recovery from third parties and even this presents some uncertainty as to quantum and time.
Motor	Motor insurance contracts provide cover in respect of policyholder's private cars and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements	In general, claims lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also connected with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Medical	These contracts pay benefits for medical treatment and hospital expenses. The policyholder is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of policyholders becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. Premium revisions are responded reasonably quickly to adverse claims experience.
Term life	These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.

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

iv. Risk exposure and concentration of insurance risk

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

2020 Geographical area	**General Insurance**	**Life Assurance**	**Total**
Bahrain			
Gross insurance premiums	30,301	3,492	**33,793**
Retained premiums	15,623	945	**16,568**
Other countries			
Gross insurance premiums	2,907	-	**2,907**
Retained premiums	215	-	**215**
Total			
Gross insurance premiums	**33,208**	**3,492**	**36,700**
Retained premiums	**15,838**	**945**	**16,783**

2019 Geographical area	General Insurance	Life Assurance	Total
Bahrain			
Gross insurance premiums	29,946	3,138	33,084
Retained premiums	15,772	920	16,692
Other countries			
Gross insurance premiums	720	-	720
Retained premiums	74	-	74
Total			
Gross insurance premiums	30,666	3,138	33,804
Retained premiums	15,846	920	16,766

C. Capital Management

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

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

The Group's objectives for managing capital are:

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

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

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

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

D. Financial and operational risk management

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

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

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

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

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

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

i. Credit risk

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

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

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

Management of credit risk

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

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

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

Overall exposure to credit risk

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

Financial assets	**2020**	2019
Receivables:		
• Policyholders	6,252	5,847
• Insurance and reinsurance companies	4,641	5,663
• Others	1,965	2,427
Financial investment securities:		
• Fair value through profit or loss - debt instruments	1,114	755
• Available-for-sale debt instruments	10,527	11,134
• Held to maturity securities	4,130	2,999
Cash equivalents with banks	5,985	4,248
Placements with banks	12,962	14,767
Statutory deposits	129	125
	47,705	47,965

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

Concentrations of credit risk

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

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:

	2020	2019
Debt instruments:		
Government of Bahrain	**4,895**	6,121
Bank balances and receivables:		
Ahli United Bank	**4,829**	5,269
Arab Bank	**2,849**	853
Habib Bank Limited	**2,573**	803
Kuwait Finance House	**2,404**	-
Salam Bank	**2,261**	2,806
National Bank of Bahrain	**1,444**	1,983
Mashreq Bank	**885**	2,088
Bank of Bahrain and Kuwait	**163**	3,308

Assets that are past due

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

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		
2020	**Less than 90 days**	**91– 180 days**	**More than 180 days**	**Gross Amount**	**Provision for impairment**	**Total**
Receivables						
• Policyholders	2,873	748	922	1,709	(1,709)	4,543
• Insurance and Reinsurance companies	1,832	402	1,137	1,270	(1,270)	3,371
• Others	1,958	7	-	139	(139)	1,965
	6,663	**1,157**	**2,059**	**3,118**	**(3,118)**	**9,879**

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		
2019	Less than 90 days	91– 180 days	More than 180 days	Gross Amount	Provision for impairment	Total
Receivables						
• Policyholders	1,772	1,351	1,511	1,213	(1,213)	4,634
• Insurance and Reinsurance companies	1,832	1,155	1,445	1,231	(1,231)	4,432
• Others	2,380	26	21	119	(119)	2,427
	5,984	2,532	2,977	2,563	(2,563)	11,493

ii. Liquidity risk

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

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

Management of liquidity risk

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

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

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

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

Exposure to liquidity risk

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

2020	**Carrying amount**	**Undiscounted contractual cash flows**			
		Less than 1 year	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Financial liabilities					
Policyholders' liabilities	1,628	1,628	-	-	-
Insurance/reinsurance companies	4,980	4,980	-	-	-
Other payables	5,545	5,545	-	-	-
Lease liability	556	90	77	231	463

2019	Carrying amount	Undiscounted contractual cash flows			
		Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
Financial liabilities					
Policyholders' liabilities	572	572	-	-	-
Insurance/reinsurance companies	5,530	5,530	-	-	-
Insurance/reinsurance companies	6,529	6,529	-	-	-
Other payables	588	78	77	231	463

iii. Market risk

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

Management of market risks

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

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

Interest rate risk

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

	2020 Aggregate principal	**2020 Effective rate**	2019 Aggregate principal	2019 Effective rate
Cash and short-term deposits	**19,082**	**2.20%**	19,146	2.87%
Bonds and treasury bills	**15,771**	**4.94%**	14,888	5.27%

Derivatives:

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

Currency risk

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

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

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

Net currency-wise concentration

	2019	2018
Financial Assets		
Euros	757	411
Pounds sterling	337	308
Other currencies	403	140
Total open foreign exchange position at 31 December currencies	**1,497**	859
United States dollars	30,263	28,190
GCC Currencies	11,572	11,791
Bahraini dinars	40,481	40,467
	83,813	81,307
This comprises of:		
Financial investments	35,967	32,148
Equity accounted investees	18,885	18,520
Cash and cash equivalents	5,991	4,254
Placements with banks	12,962	14,767
Statutory deposits	129	125
Receivables:		
Policyholders	4,543	4,634
Insurance and reinsurance companies	3,371	4,432
Others	1,965	2,427
	83,813	81,307
Financial Liabilities		
Bahraini dinars	11,078	10,989
United States dollars	1,257	734
GCC Currencies	303	1,454
Pounds sterling	26	19
Euros	30	6
Other currencies	15	17
	12,709	13,219
This comprises of:		
Policyholders liabilities	1,628	572
Insurance/reinsurance companies payables	4,980	5,530
Other payables	6,101	7,117
	12,709	13,219

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.

	2020		2019	
Financial assets and liabilities	**Profit or loss**	**Equity**	Profit or loss	Equity
US Dollars	95	290	90	267
GCC currencies	90	113	86	111
Euro	-	7	-	4
Pounds Sterling	-	3	-	3
Other currencies	2	4	-	1

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.

	2019		2018	
31 December	**Profit or loss**	**Equity**	Profit or loss	Equity
Interest rate risk				
+ 1 percent shift in yield curves	114	950	102	679
- 1 percent shift in yield curves	(114)	(950)	(102)	(679)
Equity price risk				
+1 percent increases in equity prices	3	112	3	91
-1 percent decrease in equity prices	(3)	(112)	(3)	(91)

iv. Operational risk

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

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

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

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

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

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

Impact on Solvency:

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

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

Risk Registers:

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

Others:

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

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

33. Maturity profile of investments

2020	**Less than 1 year**	**1 - 5 years**	**5 - 10 years**	**Over 10 years / no maturity**	**Total**
Equities	-	-	-	11,326	11,326
Government bonds and treasury bills	860	2,133	1,532	225	4,750
Corporate bonds	837	5,068	1,359	2,643	9,907
Managed funds	-	-	-	5,635	5,635
Unquoted equities & funds	-	-	-	2,064	2,064
Equity accounted investees	-	-	-	18,885	18,885
	1,697	**7,201**	**2,891**	**40,778**	**52,567**

This balance comprises of:

	2020
Available-for-sale securities	29,552
Held-to-maturity securities	4,130
Equity accounted investees	18,885
	52,567

2019	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	9,197	9,197
Government bonds and treasury bills	2,867	1,598	1,430	-	5,895
Corporate bonds	1,925	4,203	290	1,820	8,238
Managed funds	-	-	-	5,322	5,322
Unquoted equities & funds	-	-	-	1,727	1,727
Equity accounted investees	-	-	-	18,520	18,520
	4,792	5,801	1,720	36,586	48,899

This balance comprises of:

	2019
Available-for-sale securities	27,380
Held-to-maturity securities	2,999
Equity accounted investees	18,520
	48,899

Managed funds not having a fixed maturity date are classified as maturing after ten years. Securities carried at fair value through profit or loss are readily realisable and intended to be held for short term purposes. These are not included in the above maturity profile of investments.

34. Geographical concentration of investments

	2020	2019
Bahrain	23,622	24,289
Other GCC countries	15,455	13,925
North America	6,906	4,954
Europe	4,244	3,967
China and India	3,471	1,811
Other global/multi-regional	1,154	1,722
	54,852	50,668

This comprises of:

	2020	2019
Securities carried at fair value through profit or loss	2,285	1,769
Available-for-sale securities	29,552	27,380
Held-to-maturity securities	4,130	2,999
Equity accounted investees	18,885	18,520
	54,852	50,668

Investment income by segment

	2020	2019
Bahraini listed equities	-	435
Other equities	1,033	1,497
Bonds and treasury bills	932	781
Managed funds	504	245
Bank balances and short-term deposits	407	472
Investment properties	329	373
Gross investment income	**3,205**	3,803
Investment administration expenses	(70)	(58)
Policyholders’ share of net investment income	(272)	(353)
Depreciation charges on investment properties	(168)	(167)
Other investment properties’ expenses	(89)	(128)
Net investment income	**2,606**	3,097

35. Related parties

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

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

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

A. Related party balances

2020	**Associates**	**Key management personnel**	**Companies in which Directors control**	**Total**
Insurance receivables	290	3	460	**753**
Retirement and saving plan obligation	587	-	62	**649**
Insurance payables	35	-	10	**45**
Other receivables	5	5	-	**10**
Other liabilities	-	-	741	**741**

2019	Associates	Key management personnel	Companies in which Directors control	Total
Insurance receivables	456	5	270	731
Retirement and saving plan obligation	700	-	68	768
Insurance payables	8	-	3	11
Other receivables	125	-	-	125
Other liabilities	-	-	1,628	1,628

B. Transactions with related parties

2020	**Associates**	**Key management personnel**	**Companies in which Directors control**	**Total**
Gross insurance premiums	548	8	1,279	**1,835**
Gross claims paid	390	1	279	**670**
Claims recoveries	123	-	-	**123**
Commission and fee expenses	11	-	-	**11**
Dividend received	590	-	-	**590**
Retirement and saving plan contributions received	85	-	7	**92**
Retirement and saving plan benefits paid	179	-	6	**185**
General and administration expenses	95	1,020	128	**1,243**
Purchase of equipment	-	-	59	**59**

2019	Associates	Key management personnel	Companies in which Directors control	Total
Gross insurance premiums	1,034	12	1,095	2,141
Reinsurer›s share of gross insurance premiums	2	-	-	2
Gross claims paid	412	1	228	641
Claims recoveries	217	-	-	217
Commission and fee expenses	41	-	-	41
Dividend received	957	-	-	957
Retirement and saving plan contributions received	119	-	9	128
Retirement and saving plan benefits paid	91	-	15	106
General and administration expenses	26	795	164	985
Purchase of equipment	-	-	34	34

C. Transactions with key management personnel

Key management personnel of the Group comprise of the Chief Executive Officer, Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	2020	2019
Salaries and allowances	**735**	632
Other benefits	**74**	47
Board remuneration and attendance fees paid	**211**	116
Board remuneration and attendance fees provision	**161**	106

36. Fair value measurement

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

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

2020	**Fair value through the statement of profit or loss**	**Available-for- sale**	**Held-to-maturity**	**Loans and receivables**	**Financial liability**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	-	-	5,991	-	5,991	5,991
Placements with banks	-	-	-	12,962	-	12,962	12,962
Insurance and other receivables	-	-	-	9,879	-	9,879	9,879
Financial investments	2,285	29,552	4,130	-	-	35,967	36,256
Total financial assets	**2,285**	**29,552**	**4,130**	**28,832**	**-**	**64,799**	**65,088**
Insurance payables	-	-	-	-	6,608	6,608	6,608
Other liabilities	-	-	-	-	6,101	6,101	6,101
Total financial liabilities	**-**	**-**	**-**	**-**	**12,709**	**12,709**	**12,709**

2019	Fair value through the statement of profit or loss	Available-for- sale	Held-to-maturity	Loans and receivables	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	4,254	-	4,254	4,254
Placements with banks	-	-	-	14,767	-	14,767	14,767
Insurance and other receivables	-	-	-	11,493	-	11,493	11,493
Financial investments	1,769	27,380	2,999	-	-	32,148	32,327
Total financial assets	1,769	27,380	2,999	30,514	-	62,662	62,841
Insurance payables	-	-	-	-	6,102	6,102	6,102
Other liabilities	-	-	-	-	7,117	7,117	7,117
Total financial liabilities	-	-	-	-	13,219	13,219	13,219

Fair value hierarchy

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

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

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1**

quoted prices (unadjusted) in active markets for identical assets and liabilities.

- **Level 2**

inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3**

inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

2020	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Available-for-sale investments	16,750	12,661	136	29,547	29,547
Securities carried at fair value through profit or loss	1,097	1,188	-	2,285	2,285
	17,847	**13,849**	**136**	**31,832**	**31,832**

2019	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	25,652	1,723	-	27,375	27,375
Securities carried at fair value through profit or loss	1,748	21	-	1,769	1,769
	27,400	1,744	-	29,144	29,144

The investments in available-for-sale securities include investment in managed funds carried at cost and having carrying value of BD 5 thousand (2019: BD 5 thousand).

- **Transfers between levels 1 and 2**

As at 31 December 2020, a number of investment securities with carrying value of BD 11,882 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy. This is due to the market conditions, where quoted prices for such investment securities were no longer available or no adequate trading volumes for these securities at or closer to the measurement/reporting date. However, there was sufficient information available to measure fair value of these securities based on observable market inputs.

- **Transfers between levels 2 and 3**

There was transfer into the level 3 measurement classification of an investment in equity of Arab Reinsurance company with carrying value of BD 136 thousand. This was because the shares were no recent observable arm's length transactions in shares. and the investment has been valuated based on market comparison technique adjusted for non-marketability factor and net debt of the entity.

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

The carrying amount of the Group's held-to-maturity investments equals BD 4,130 thousand (2019: BD 2,999 thousand) whereas the fair value of the investments is BD 4,419 thousand (2019: BD 3,178 thousand).

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

37. Commitments and contingent liabilities

As at 31 December 2020, the Group has commitments to make investments amounting to BD 349 thousand (2019: BD 460 thousand).

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

38. Reconciliation of movements in liabilities arising from financing activities

	2020	2019
Lease liabilities:		
Balance at 1 January	588	641
Cash flows from financing cash flows		
Payment of lease liabilities	(95)	(94)
Other changes		
New leases	24	-
Interest expense	39	41
	63	41
Balance at 31 December	**556**	588

39. Significant event – covid-19

During 2020, an outbreak of the novel Coronavirus (COVID19-) has rapidly evolved across the region and globally. As a result, governments and authorities, including the Government of the Kingdom of Bahrain, have implemented several measures to contain the spread of the virus such as suspension of flights from/to various countries, other travel restrictions and quarantines and have also announced various support measures to counter adverse economic implications. These measures and policies have caused significant disruption in the operation of many companies around the globe. COVID19- has also brought about significant uncertainties in the global economic environment. The Group operates in a sector which has not been heavily affected.

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

The Government of the Kingdom of Bahrain has granted subsidies of BD 393 thousand towards staff costs and BD 35 thousand towards utility charges to counter adverse economic implications. In addition, the Group's lessors had granted rent holiday of offices leased of BD 6 thousand. These amounts have been presented in the other income line in the consolidated statement of profit or loss.

40. Comparative

Certain corresponding figures of 2019 have been regrouped where necessary to conform to the current year's presentation. Such regrouping did not affect previously reported total assets, total liabilities, equity, profit or loss or comprehensive income.

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