



Saeed Mohammed AlBahhar

Chairman

REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

The Directors of the Arab Insurance Group (B.S.C.) (Arig or Group) presents the Company's 40th Annual Report along with the audited Consolidated Financial Statements for the year ended 31 December 2020.

As you are aware, at the Extraordinary General Meeting (EGM) on 13 August 2020, the decision to cease writing business was taken and this decision had a significant impact on the strategic direction and future of the Company. The annual report needs to be read in light of this decision of the EGM.

GROUP PERFORMANCE

2020 was a year where the Company's financial performance was severely impacted by the global crisis triggered by the pandemic which resulted in a reduced net profit of US\$ 13.6 million attributable to shareholders (2019: Net profit US\$ 17.5 million). The profit is mainly due to combination of lower reinsurance loss experience and an emphasis on reducing costs.

The Group reported total investment income of US\$ 4.9 million (2019: US\$ 26.3 million). The result reflects the direction given by the Board and management's close monitoring of the movements of the equity markets.

The Group continued its efforts to reduce its operating expenses which resulted in reducing the overall operating expenses from US\$ 16.5 million in 2019 to US\$ 13.3 million in 2020.

ARIG'S REINSURANCE POSITION

The Group's gross written premium decreased to negative US\$ 17.3 million (2019: US\$ 194.6 million) due to the decision of the Shareholders to cease writing reinsurance business and write-off of pipeline premium. Non-Life business decreased to negative US\$ 16.5 million (2019: US\$ 187.5 million) and Life business too experienced a reduction of gross written premium to negative US\$ 0.8 million (2019: US\$ 7.1 million).

The overall technical result¹ of the Group was a profit of US\$ 17.6 million (2019: profit of US\$ 15.9 million). The consolidated combined ratio² as at the end of the reporting period 2020 was 85.5% (2019: 97.2%).

ARIG'S INVESTMENT POSITION

The Group's investment income dipped to US\$ 4.9 million (2019: US\$ 26.3 million). There was a steep decline in the value of global equities in the first quarter of the year. A strategic decision was taken to exit from most equity positions to protect the policyholders and shareholders' funds following the Board's decision to recommend cessation

of reinsurance business. This unwinding resulted in a loss of US\$ 7.4 million (2019: Profit of US\$ 11.9 million). The fixed-income portfolio was challenged by declining yields and downgrades. We insulated the fixed income portfolio by exiting from all securities downgraded below investment grade. The income generated for the year in the portfolio was US\$ 11.3 million (2019: US\$ 11.6 million).

Group investment assets stood at US\$ 557.1 million in December 2020 (2019: US\$ 629.0 million). The investment portfolio of ARIG parent was US\$ 437.5 million in December 2020 (2019: US\$ 510.0 million).

DELISTING FROM DUBAI FINANCIAL MARKET (DFM)

Following the approval of Central Bank of Bahrain (CBB), applications were made to DFM, Securities & Commodities Authority (SCA) and Dubai Central Securities Depository (CSD) for the delisting from DFM. The last trading date of Arig shares in Dubai was set on 11 January 2021. Information regarding the closing register is awaited from DFM to complete the transfer to Bahrain Bourse.

REMUNERATION TO BOARD MEMBERS AND MANAGEMENT³

In 2020 the following amounts were paid / accrued to the board members and management.

	US\$ '000
	2020
a) Board members	
- Attendance fees	145
- Travel expenses	23
- Bonus	ZERO
b) Key management compensation	
- Salaries and other short-term employee benefits	592
- Post-employment benefits	131
c) Balances payable to key management	517

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its gratitude to His Majesty the King and His Royal Highness the Crown Prince and Prime Minister for their wise leadership of the Kingdom of Bahrain. The Directors further extend their thanks to our business partners, clients, staff and shareholders for their support and cooperation throughout the year.

On behalf of the Board of Directors

Mr. Saeed Mohammed AlBahhar
Chairman
18 February 2021

¹ technical result: net earned premiums less claims and acquisition costs.

² combined ratio: aggregate of expenses and losses over net earned premiums.

³ A detailed list is being prepared and will be disclosed shortly.

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS

DETAILS OF REMUNERATION TO BOARD MEMBERS

In 2020 the following amounts were paid / accrued to individual Board members.

	(US\$ '000)	
	2020	
	Attendance fees	Travel expenses
Board members		
- Saeed Mohammed AlBahhar	26	4
- Mohamed Saif AlHameli	9	4
- Mohamed Saif AlSuwaidi	21	4
- Ahmed Saeed AlMahri	30	3
- Dr. Bader Abdulla AlJaberi	30	3
- Wael Ibrahim Abu Khzam	29	5