

BOARD OF DIRECTORS



Saeed Mohammed AlBahhar

Chairman of the Board
and member of the Nomination
and Remuneration Committee



Ahmed Omar Alkarbi

Vice Chairman of the Board



Mohamed Ahmed Alkarbi

Director, Chairman of the Audit
and Risk Committee and Chairman of the
Nomination and Remuneration Committee



Mohamed Saif AlSuwaidi

Director and member of the
Nomination &
Remuneration Committee



Wael Ibrahim Abu Khzam

Director and member of the Audit and Risk Committee
and Nomination and Remuneration Committee



Abdulla Saeed Al Ghfeli

Director and member of the Audit
& Risk Committee



Saeed Mohammed AlBahhar
Chairman

REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

The Directors of Arab Insurance Group (B.S.C.) (Arig or Group) present the Company's 42nd Annual Report along with the audited Consolidated Financial Statements for the year ended 31 December 2022.

The current Board was elected by the shareholders at the Ordinary General Meeting held on 26th September 2022 for a period until March 2025.

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.

The significant decisions and milestones achieved, in pursuit of the shareholders decision to divest their shares in the company or sale of re-insurance portfolio, below are milestones achieved so far:

- Valuation of Arig by an independent international advisory firm prior to the sale by current shareholders
- Appointment of investment banker for the divestiture of holding in Arig. Key milestones are:
 - Appointment of legal advisor.
 - Appointment of Virtual Data Room (VDR) vendor and populating the VDR.
 - Indicative valuation by the investment banker.
 - Identified potential investors who could be interested in buying the company.
 - Launched marketing and approached the 70 potential investors:
 - Regional insurance / reinsurance companies.
 - International reinsurance companies.
 - Out of the 70 investors, 60 declined at the preliminary stage and out of the remaining 10 investors 4 investors submitted non-binding offers.
 - Out of the 4 non-binding offers received, two offers had conditions that were not acceptable. Hence had to be rejected.
 - The review is ongoing by two investors, and the deadline is 28th February 2023 for submitting the proposals to the Board of Directors for review.

GROUP PERFORMANCE

Arig achieved positive financial results for 2022 despite the turmoil in the fixed income markets with a net profit amounting US\$ 19.6 million attributable to shareholders (2021: Net profit US\$ 24.1 million) representing an average return of 7.7% on average shareholders' equity. Consequently, the Board has recommended a cash dividend of 5% on the company's paid-up capital (5 cents per share), which yet remains subject to approval of the

company's shareholders during the upcoming Annual General Meeting.

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\$ 1.6 million (2021: US\$ 9.6 million); a reflection of the carnage in the fixed income market.

The Group continued its efforts to reduce its operating expenses which resulted in reducing the overall operating expenses from US\$ 11.0 million in 2021 to US\$ 9.0 million in 2022. The staff count at Arig parent stood at 52 (2021: 60).

ARIG'S REINSURANCE POSITION

The Group recorded earned premiums of US\$ 1.3 million (2021: US\$ 13.8 million), a decrease of 91% due to the decision to cease writing business.

The overall technical result¹ of the Group was a profit of US\$ 23.6 million (2021: US\$ 26.3 million). The underwriting profit for the year was US\$ 18.4 million (2021: US\$ 23.7 million) due to lower claims paid and reduction in outstanding losses.

ARIG'S INVESTMENT POSITION

Arig Investment policy is a conservative one, so as not to risk the shareholders equity as well as the interests of policy holders. Group Investment Assets stood at US\$ 393.3 million in December 2022 (2021: US\$ 485.8 million) as follows:

	US\$ million	
	2022	2021
Cash	215.1	59.1
Fixed maturities	164.2	408.9
Alternative investment	13.5	17.3
Investment in associates	0.5	0.5

Considering the uncertain market movements, the Board had placed a moratorium on new investments and instead, considering the rising interest rates and the divesture process, directed that funds be placed in short term deposits.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

In 2022 the following amounts were paid / accrued to the Board members and the Executive management.

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

REPORT OF THE BOARD OF DIRECTORS

First: Board of directors' remuneration details:

(US\$ '000)													
Name	Fixed remunerations					Variable remunerations					End-of- service award	Aggregate Amount (Does not include expense allowance)	Expenses Allowance
	Remuneration of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remuneration of the chairman and BOD*	Bonus	Incentive Plan	Others**	Total			
First: Independent Directors & Non - Executive Directors													
1. Saeed Mohammed AlBahhar	-	-	-	-	-	170.7	-	-	60.0	230.7	-	230.7	41.3
2. Ahmed Saeed Almahri***	-	-	-	-	-	85.4	-	-	39.0	124.4	-	124.4	15.8
3. Bader Abdulla Aljaberi***	-	-	-	-	-	85.4	-	-	39.0	124.4	-	124.4	9.2
Second: Non - Independent and Non - Executive Directors:													
1. Mohamed Saif AlSuwaidi	-	-	-	-	-	113.8	-	-	42.0	155.8	-	155.8	-
2. Wael Ibrahim Abu Khzam	-	-	-	-	-	113.8	-	-	54.0	167.8	-	167.8	20.1
3. Ahmed Omar Alkarbi****	-	-	-	-	-	28.5	-	-	12.0	40.5	-	40.5	12.5
4. Mohamed Ahmed Alkarbi****	-	-	-	-	-	28.5	-	-	21.0	49.5	-	49.5	13.5
5. Abdulla Saeed Alghfeli****	-	-	-	-	-	28.5	-	-	18.0	46.5	-	46.5	3.6
6.Mohamed Saif Alhameli***	-	-	-	-	-	85.4	-	-	12.0	97.4	-	97.4	8.6
Total	-	-	-	-	-	740.0	-	-	297.0	1,037.0	-	1,037.0	124.6

* proposed remuneration.

** total allowance for attending Board and committee meetings.

***up to 26 Sept 2022

**** Board member since 26 Sept 2022.

Second: Executive management remuneration details:

(US\$ '000)				
Executive Management	Total paid Salaries and Allowances	Total paid remuneration (Bonus)	Any other cash / in kind remuneration for 2022*	Aggregate Amount
Top 6 remuneration for executives, including CEO and Senior Financial Officer	977	-	335	1,312

*includes end of service benefit.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander, of the Armed Forces and Prime Minister, for their wise leadership of the Kingdom of Bahrain. The Directors wish to place on record its appreciation for the valuable contribution made by the outgoing directors. 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

27 February 2023