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 & Risk Committee and Chairman of the Nomination & Remuneration Committee

Mohamed Saif AlSuwaidi
Director and member of the Nomination & Remuneration Committee

Wael Ibrahem Abu Khzam
Director and member of the Audit & Risk Committee and Nomination & Remuneration Committee

Abdulla Saeed Al Ghfeli
Director and member of the Audit & Risk Committee

Saeed Mohammed AlBahhar
Chairman

DEAR SHAREHOLDERS,

The Directors of Arab Insurance Group (B.S.C.) (Arig or Group) present the Company's 43rd Annual Report along with the audited Consolidated Financial Statements for the year ended 31 December 2023.

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 developments during the year on shareholders decision to divest their shares in the company or sale of re-insurance portfolio are as below:

- o Following the appointment of investment banker for the divesture of holding in Arig by the current shareholders, the Company did not receive any binding proposal in spite of extension of the period to submit the same.
- o Instead, the Board received two non-binding proposals from one of the bidders which significantly undervalued the net worth of the Company. The Board on evaluation rejected both proposals.
- o The Board decided to pursue sale of insurance portfolio to speed up the runoff and is in the final stages of appointing an international broker to lead the sale.

Offer to acquire 10% of the shares of the Company

- While the appointment of the broker for the sale of portfolio was being finalised, the offer from a potential investor "Gulf Tamin Ltd" was received for acquisition of 10% of the shares of the Company. The proposal was by investors who had earlier completed the due diligence for the sale of the company.
- The regulations relating to such offer requires that Arig or the Board does not take action that would be deemed to be frustrating the offer and therefore finalizing the appointment of the broker for sale of reinsurance portfolio was put on hold.
- As required by regulations, the Board appointed an independent professional advisor to advise the board as to whether the offer is fair and reasonable. The professional independent advisor had come up with a value of US$ 1.37 per share and came to the conclusion that the offer of US$ 0.53 was not fair and not reasonable and the same was published as part of the Company's Board Circular issued to the shareholders. Accordingly, the Independent Professional Advisor advised the Board not to recommend acceptance of the offer by the Shareholders.
- The offer was not successful and the shareholders who accepted the offer remain shareholders of Arig, the Company also incurred additional cost of US$ 80,000 in addition to the time executives spent on the offer.

GROUP PERFORMANCE

Arig achieved positive financial results for 2023 by managing its reserves and favourable investment returns with a net profit amounting US$ 14.0 million attributable to shareholders (2022: Net profit US$ 29.2 million) representing an average return of 4.81% on average shareholders' equity. Consequently, the Board has recommended a cash dividend of 20% on the company's paid-up capital (20 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 a combination of higher investment income, lower reinsurance loss experience and an emphasis on reducing costs.

The Group reported total investment income of US$ 14.7 million (2022: US$ 1.6 million); a reflection of the prevailing high interest rate.

The staff count at Arig parent stood at 50 (2022: 52).

ARIG'S REINSURANCE POSITION

The Group implemented IFRS 17 that resulted in an accretion of US$ 12.5 million of transitional impact on retained earnings. The total insurance contract liabilities stood at US$ 97.0 million (2022: US$ 112.6 million) primarily due to reduction of liability for incurred claims and claims paid.

The overall insurance service result was a profit of US$ 2.6 million (2022: US$ 19.6 million) a reduction of 87% primarily due to less favourable claim experience compared to 2022.

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$ 393.4 million in December 2023 (2022: US$ 393.2 million) as follows:

		US$ million
	2023	2022
Cash	219.6	215.1
Fixed maturities	162.3	164.1
Alternative investment	11.0	13.5
Investment in associates	0.5	0.5

Anticipating the end of the hike in interest rates, the Board as per the recommendation of Management had directed that new investments are considered with a focus on short term US Treasury. Taking advantage of the prevailing high interest rates, company's funds are being placed in short term deposits.

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

In 2023 the following amounts were paid / accrued to the Board members and the Executive management.

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
	Renumeration of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	**Total**	Remunerations of the chairman and BOD*	Bonus	Incentive plans	Others**	**Total**			
First: Independent Directors & Non - Executive Directors													
1. Saeed Mohammed AlBahhar	-	-	-	-	-	66.0	-	-	63.0	129.0	-	129.0	55.6
Second: Non - Independent & Non - Executive Directors:													
1. Mohamed Saif AlSuwaidi	-	-	-	-	-	43.8	-	-	48.0	91.8	-	91.8	19.6
2. Wael Ibrahem Abu Khzam	-	-	-	-	-	43.8	-	-	63.0	106.8	-	106.8	21.8
3. Ahmed Omar Alkarbi	-	-	-	-	-	43.8	-	-	33.0	76.8	-	76.8	35.5
4. Mohamed Ahmed Alkarbi	-	-	-	-	-	43.8	-	-	66.0	109.8	-	109.8	42.6
5. Abdulla Saeed Alghfeli	-	-	-	-	-	43.8	-	-	42.0	85.8	-	85.8	-
Total	-	-	-	-	-	285.0	-	-	315.0	600.0	-	600.0	175.1

* proposed remuneration.

** total allowance for attending Board and committee meetings.

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 2023*	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	977	89	255	1,321

*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 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

Mr. Mohamed Ahmed Alkarbi
Board Member

February 26, 2024

FINANCIAL HIGHLIGHTS

KEY FIGURES

(US$ million)	**2023**	2022
Insurance service result	2.6	19.6
Financial insurance result	10.2	7.4
Net profit	14.0	29.2
Investment assets	393.4	393.2
Reinsurance contract assets	4.3	4.4
Total assets	412.1	421.4
Insurance contract liabilities	97.0	112.6
Shareholders' equity	294.5	286.6

Note - above figures are based on adoption of IFRS 17 and IFRS 9.

PERCENTAGE OF SHAREHOLDING
(on outstanding shares)

UAE Government	34.84%
Libya Government	16.06%
Kuwait Government	10.10%
UAE Private	19.36%
Kuwait Private	7.42%
Bahrain Private	5.64%
Other Private	6.58%

As of 31 December 2023