

12 February 2022

To
The Board of Directors
Life Insurance Corporation of India

Re: Proposed initial public offering of equity shares of Life Insurance Corporation of India

Dear Sirs,

We have verified the translated version of the audited financial statements of Life Insurance Corporation (International) B.S.C. (c) for the year ended December 31, 2018. These Financials statements have been translated by the Company in Indian Rupees in accordance with Ind AS 21, "The Effect of Changes in Foreign Currency Rates"

The work carried out by us is in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed upon Procedures regarding Financial Information" issued by the Institute of Chartered Accountants of India.

As required under Schedule VI Part A Item No. (11)(I)(A)(ii)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations"), we have verified the translated financial information contained in the Annexure attached to this Certificate which is proposed to be uploaded on the website of Life Insurance Corporation of India in connection with its proposed initial public offering of equity shares (the "Offer").

We did not audit the financial statements of Life Insurance Corporation (International) B.S.C. (c). These financial statements have been audited by other audit firms, whose reports have been furnished to us by the Company.

These translated financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited consolidated financial statements referred to herein.

These translated financials are intended solely for use of the management for uploading on website of Life Insurance Corporation of India in connection with its proposed initial public offering of equity shares.

Based on our examination, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

Restriction on use

This certificate has been provided by us, at the request of the Life Insurance Corporation of India and solely for the information of Axis Capital Limited, Kotak Mahindra Capital Company Limited, BofA Securities India Limited, Citigroup Global Markets India Private Limited, Goldman Sachs (India) Securities Private Limited, ICICI Securities Limited, JM Financial Limited, J.P. Morgan, Nomura Financial Advisory and Securities (India) Private Limited and SBI Capital Markets Limited, book running lead managers appointed by Life Insurance Corporation of India (Collectively referred to as the "Book Running Lead Managers" or the "BRLMs") to assist them in conducting their due-diligence and documenting their investigations of the affairs of Life Insurance Corporation of India in connection with the proposed offer. This certificate may be relied on by the BRLMs, their affiliates and legal counsel in relation to the Offer.

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BRANCHES :

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This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior consent in writing, other than the purpose stated above. We, however, hereby give consent for inclusion of our name and this information (in full or in part) in the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus proposed to be filed by Life Insurance Corporation of India with the Securities and Exchange Board of India ("SEBI"), the National Stock Exchange Limited and BSE Limited (the "Stock Exchanges") and the Insurance Development and Regulatory Authority of India ("IRDAI") and any other material used in connection with the Offer and submission of this certificate to SEBI, Stock Exchanges, or IRDAI in connection with the proposed Offer, as the case may be. Additionally, we hereby give our consent for the submission of this certificate to any other regulatory authority as may be required under applicable law in connection with the proposed Offer, as the case may be.

For Batliboi & Purohit
Chartered Accountants
FRN: 101048W

Raman Hangekar
Partner
Membership No: 030615

Date: Mumbai
Place: 12-02-2022
UDIN: 22030615ABPQCQ4196



Statement of financial position

	Notes	31-12-2018.	31-12-2018.
		BD	INR
Assets:			
Motor vehicles and Furniture and	5	13,595	2,497,872
Intangible asset	6	33,078	6,077,573
Statutory deposits	7	496,942	91,305,440
Investments at fair value through P&L	8(b)	133,117,515	24,458,293,372
Available for sale investment	8 (c)	65,535,053	12,041,056,749
Held to maturity investment	8 (d)	463,329,848	85,129,724,290
Term deposits with banks	9	64,580,300	11,865,635,588
Premium receivable	10	1,611,220	296,036,862
Reinsurance contracts receivable	22.1	88,237	16,212,190
Accrued interest income	11	9,613,909	1,766,407,725
Other assets	12	173,523	31,882,179
Policy loans	13	6,234,379	1,145,471,132
Bank balance and cash	14	36,099,634	6,632,751,813
Total Assets		780,927,233	143,483,352,785
Equity and liabilities			
Equity			
Share capital	15	20,000,000	1,163,523,035
Statutory reserve	16	7,057,276	1,296,665,783
Contingency fund reserve in Oman	17	201,870	37,090,504
Investment fair value reserve		(10,740,978)	(1,973,489,296)
Retained earnings		19,428,372	6,080,833,123
Total Equity		35,946,540	6,604,623,149
Liabilities			
Life Insurance Fund	19	737,018,862	135,415,865,802
Employee's end-of-service indemnity		21,507	3,951,580
Due to Life Insurance Corporation of India	20 (b)	10,832	1,990,213
Zakat and tax provisions	21	149,949	27,550,820
Reinsurance Contract liabilities	22.2	383,627	70,485,553
Claims payable	23	3,352,002	615,878,747
Other liabilities	24	4,043,914	743,006,921
Total liabilities		744,980,693	136,878,729,636
Total equity and liabilities		780,927,233	143,483,352,785

The financial statement from pages 7 to 41 were approved and authorized for issue by the Directors on March 11, 2019 and signed. The attached notes form an integral part of these financial statements.



Statement of comprehensive income

	Notes	Year ended 31 December 2018	Year ended 31 December 2018
Revenues		BD	INR
Premiums:			
First year	25.1	6,707,759	1,243,666,814
Renewal	25.2	28,538,585	5,291,259,137
Single premium	25.3	70,523,672	13,075,596,559
Unit link premium	25.4	3,054	566,234
Group insurance premium		27,422	5,084,236
Reinsurance ceded	22.2	(15,962)	(2,959,470)
Discount on commutation of premium	26	(726,882)	(134,769,156)
Net insurance premium Revenue		105,057,648	19478444354.00
Realised income from investments	27	36,484,872	6,764,557,960
Other Income	28	876,633	162,534,070
Unrealised gain/(loss) on investments at FVTPL		(5,562,171)	(1,031,266,551)
Impairment loss recognised on investment securities	8 (b)	(1,857,065)	(344,313,222)
		134,999,917	25,029,956,611
Expenses			
Claims incurred	23	(156,290,339)	(28,977,354,141)
General and administrative expenses	29	(7,261,170)	(1,346,273,198)
Change in Life Insurance Fund	19 (a)	14,312,395	2,653,621,082
		(149,239,114)	(27,670,006,257)
Profit/(loss) before zakat and income tax		(14,239,197)	(2,640,049,646)
Zakat and income tax (expense)/reversal		3,948	731,988
Profit/(loss) for the year		(14,235,249)	(2,639,317,658)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of AFS investments during the period	8 (c)	(13,723,464)	(2,544,429,035)
Other comprehensive income for the year		(13,723,464)	(2,544,429,035)
Total comprehensive income/(loss) for the year		(27,958,713)	(5,183,746,693)
Translation Difference			5,599,064,470
Total comprehensive income/(loss) for the year		(27,958,713)	415,317,777

The accounting policies and the notes from pages 15 to 50 form an integral part of these financial statements.



Statement of changes in equity

	Share capital		Statutory reserve		Contingency reserve		Investments fair value reserve		Retained earnings		Proposed Dividend		Total	
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
At 1 January 2017	20,000,000	7,057,276	194,027	2,982,486	33,671,464	2,000,000								65,905,253
Loss for the year					(14,235,249)									(14,235,249)
Other comprehensive income for the period:														
Transfer to contingency reserve			7,843				(13,723,464)		(7,843)					(13,723,464)
Payment of Dividend														0
At 31 December 2018	20,000,000	7,057,276	201,870	(10,740,978)	19,428,372	(2,000,000)								(2,000,000)
														35,946,540

	Share capital		Statutory reserve		Contingency reserve		Investments fair value reserve		Retained earnings		Proposed Dividend		Total	
	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
At 1 January 2017	1,163,523,035	1,220,819,121	33,564,207	515,932,200	5,824,735,644	345,974,600								9,104,548,807
Loss for the year					(5,183,746,693)									(5,183,746,693)
Other comprehensive income for the period:														
Transfer to contingency reserve			1,441,030	(2,544,429,035)					(1,441,030)					(2,544,429,035)
Payment of Dividend														0
Translation difference		75,846,662	2,085,267		5,441,285,202	(370,814,400)								(370,814,400)
														5,599,064,470
At 31 December 2018	1,163,523,035	1,296,665,783	37,090,504	1,973,489,296	6,080,833,123	-								6,604,623,149

The accounting policies and the notes from pages 15 to 50 form an integral part of these financial statements

Statement of cash flows

Cash flows from operating activities	Note	2018	2018
		BD	INR
Cash flows from operating activities:			
(Loss)/ profit before zakat and income tax		(14,239,197)	(2,640,046,798)
Adjustments for non cash items:			
Depreciation	5	9,030	1,674,225
Amortization	6	62,370	11,563,835
Foreign exchange gain on investments	8 (c)	532,363	98,703,827
Gain on sale of motor vehicle and furniture		(4)	(742)
Unrealised (loss)/gain on investments at fair value through profit and loss	8(b)	5,562,171	1,031,265,439
Gain on disposal of investment securities	27	(4,058,628)	(752,498,042)
Dividend income	27	(847,848)	(157,196,954)
Interest income	27	(31,578,396)	(5,854,855,667)
Impairment loss recognised on Investment ,net		(54,092)	(10,029,035)
Claim expense	23	156,290,339	28,977,322,883
Reinsurance expense	22.2	15,962	2,959,467
Addition to life insurance fund	19(a)	(14,312,395)	(2,653,618,220)
Provision for employees end of servcie indemnity		12,109	2,245,093
Finance cost		-	-
		97,393,784	18,057,489,310
Changes in operating assets and liabilities			
Decrease in premium receivable		147,956	27,432,078
Decrease/(Increase) in reinsurance contract receivable		790	146,472
Decrease/ (increase) in due from the International agencies company Limited		24,112	4,470,534
Increase in other assets		219,447	40,687,010
Increase in policy loans		(330,578)	(61,291,475)
(Decrease)/Increase in due to Life Insurance Corpoartion of India		(102,582)	(19,019,421)
Decrease in other liabilities		(667,723)	(123,800,518)
Net cash from operations		96,685,206	17,926,113,989
Payment of employees end of service indemnity		(6,142)	(1,138,770)
Payment of reinsurance expense	22.2	(347,988)	(64,519,411)
Claims paid	23	(156,535,031)	(29,022,690,493)
Net cash (used in)/generated from operating activities		(60,203,955)	(11,162,234,685)



The attached notes form an integral part of these financial statements.

Statement of cash flows

	Note	2018	2018
		BD	INR
Cash flows from investing activities			
Purchase of motor vehicles and furniture	5	(12,277)	(2,276,242)
Proceeds from disposal of motor vehicles and furniture		5	927
Purchase of investments at fair value through profit or loss	8(b)	(40,135,273)	(7,441,360,561)
Purchase of available for sale investments	8 (c)	(64,248,622)	(11,912,144,259)
Purchase of held to maturity investments	8 (d)	(22,915,533)	(4,248,700,227)
Proceeds from disposal of investments securities		148,357,689	27,506,554,044
Increase in fixed deposits		19,131,989	3,547,204,685
Transfer of actuarial reserve to LIC of India	19 (a)	(713,877)	(132,357,793)
Dividends received	27	847,848	157,196,954
Interest received	11	32,425,106	6,011,841,628
Net cash generated from/ (used in) investing activities		72,737,055	13,485,959,156
Cash flows from financing activities			
Dividend paid		(2,000,000)	(370,814,000)
Finance cost paid		0	0
Payment of loan		0	0
Net cash used in financing activities		(2,000,000)	(370,814,000)
Net increase in cash and cash equivalents			
Translation difference		-	746,712,602
Net (decrease)/increase in cash and cash equivalents after translation difference		-	2,699,623,073
Cash and cash equivalents at the beginning of the year		71,118,156	12,302,537,787
Cash and cash equivalents at the end of the year		81,651,256	15,002,160,861
Comprising			
Bank balances and cash	14	36,099,634	6,632,751,813
Term deposits with less than three months maturity from the date of placement	9	45,551,622	8,369,409,048
		81,651,256	15,002,160,861



The attached notes form an integral part of these financial statements.

Notes to the financial statements

31 December 2019

1. Status and activities

- (a) Life Insurance Corporation (International) B.S.C. (c) (the “Company”) was formed by Life Insurance Corporation of India and the International Agencies Company Limited, Bahrain. The Company is registered with the Ministry of Industry, and Commerce under commercial registration no. 21606 and operates under an insurance license issued by the Central Bank of Bahrain (the “CBB”). The registered address of the Company is 1st floor, Ali Al-Wazzan Building, Al-Khalifa Avenue, P.O. Box 584, Manama, Kingdom of Bahrain.
- (b) The Company commenced its operations on July 23, 1989 and is engaged in carrying out life insurance business, mainly with Indian expatriates in the Kingdom of Bahrain and other GCC countries. It is also engaged in conducting similar business with all nationalities resident in Bahrain under special permission granted by the Central Bank of Bahrain, from November 8, 2006.
- (c) The International Agencies Company Limited (the “Agent”) is the agent of Life Insurance Corporation (International) B.S.C. (c) in Bahrain. It is responsible for providing:
- Administration and technical services for all policies issued by the Company.
 - Marketing services in Bahrain.

In return, the Agent is entitled to compensation at agreed terms.

- (d) All reinsurance is ceded to Swiss Reinsurance Company, HannoverRe and Munich Reinsurance Company on agreed terms.
- (e) Based on resolution number 125 dated July 14, 2004 (Hijri 14/5/1424) issued by the Council of Ministers in Saudi Arabia, and its subsequent implementation guidelines thereon, insurance companies operating in Saudi Arabia are required to obtain a license to undertake insurance activities in the Kingdom from the Saudi Arabian Monetary Agency (“SAMA”). The requirements for license include operating as a public joint stock company and having a minimum paid up capital of Saudi Riyals 100 Mn.

Under these regulations, on December 29, 2004, the Board of Directors of the Company submitted an application for the license with SAMA under the name of “Saudi Indian Company for Cooperative Insurance” (“SICCI”). The Company acquired 10.2% of the issued share capital of SICCI. Further, the Company ceased its activities in the Kingdom, but later on August 1, 2005 business activities resumed as SAMA permitted existing operations to continue for a three year grace period. On December 28, 2008, SAMA did not further extend Saudi Operations of the Company to market new insurance policies.

During 2011, SAMA approved exit plan via letter dated 15.06.1432 H (corresponding May 20, 2011), of the Saudi Operations of the Company. The Company transferred the Saudi portfolio to Kingdom of Bahrain or LIC India with the consent of the policyholders.

During 2017 SICCI undertook a restructuring plan recommended by the SIXCCI’s Board and approved by the regulator SAMA. As per the regulator’s directive, the accumulated losses of SICCI were absorbed by decreasing the share capital by cancellation of shares. As a result, Company’s investment in SICCI got reduced proportionately. Accordingly, a loss has been recorded in the Income Statement for the year 2017.

During the year 2018, SICCI obtained approval from Capital Market Authority and SAMA for further capital reduction to 18.03%. Accordingly, the Company’s investment in SICCI was proportionately reduced which resulted in recording losses in the income statement for the year 2018.

Investment in SICCI has been fully provided for being identified as impaired as the share trading has been suspended by The Saudi Stock Exchange (Tadawul) since 12 November 2018.



2. Adoption of new and revised international financial reporting standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRS's, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4 notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. The Company intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 15 was issued in May 2014 and establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS by one year. Early adoption is permitted. The Company is currently assessing the impact of the standard.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRS's that have been issued but are not yet effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 Leases (effective Date 1 January 2019)

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases-Incentives and SIC-27. Evaluating the Substance of Transactions involving the legal form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – lease of "low value" assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. right of use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right of use of assets. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g.



change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use assets. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of lease: operating and finance leases. IFRS 16 also require lessees and lessors to make more extensive disclosure than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income, but are recognised directly on balance sheet;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.



The Company plans to adopt new standards on the required effective date together with IFRS 9 (see above). The Company expects that the new standard will result in an important change to the accounting policies for insurance contracts liabilities of the Company and is likely to have significant impact on profit and total equity together with presentation and disclosure.

Management anticipate that these new standards, interpretations and amendments will be adopted by the company in future years as applicable and management expects that the application of these Standards will not have a significant impact on the amounts and disclosures in the financial statements except for IFRS 9 as discussed above..

3. Significant Accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the applicable requirements of the Bahrain Commercial Law of 2001, and the Central Bank of Bahrain Insurance Regulations (as contained in Volume 3 of the CBB Rulebook).

3.2 Basis of preparation

The financial statements are prepared under the historical cost basis, except for certain financial instruments measured at fair value. The financial statements include the net assets and results of operations of the Company in the Kingdom of Bahrain, Kuwait and Qatar and its branches in Oman and the United Arab Emirates. All inter-branch transactions and balances are eliminated. These financial statements are presented in Bahrain Dinars ("BD") being the functional currency of the Company.

3.3 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes fair value measurement is categorized into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

3.4 Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

3.5 Revenue recognition

Insurance Contracts

Life insurance premiums including Unit Link premiums are recognised as revenue when due from policyholders. Premiums receivable relate to the premium due in the month of October, November and December for which the normal grace period of three months have not expired and the previous instalments have been paid. Claim expenses are recorded on basis of notification received. Maturities and annuities payments are recorded when due to policyholders or beneficiaries. Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the profit or loss when incurred.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.



Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Other income

All other income is recognised on an accrual basis.

3.6 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company 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 Company under which the contract holder is another insurer are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognises that impairment loss in the profit or loss for the year.

3.7 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date.

The reinsurers' portion towards the outstanding claims is classified as reinsurance contract assets in the financial statements.

3.8 Liability adequacy

At each reporting date the Company reviews the carrying amounts of its insurance liabilities to ensure that its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the results for the year.

3.9 Life insurance fund

The life insurance fund is determined on a quarterly basis to provide sufficient funds in order to meet the current obligations of future liabilities. This fund is valued by an appointed actuary registered with the CBB.

3.10 Claims payable

Provision for claims payable is made for those policies where intimation of death is received as at the reporting date.

3.11 Motor Vehicle and Furniture

Motor vehicle and furniture are stated at cost less accumulated depreciation and any impairment in value.

The costs of motor vehicle and Furniture are depreciated on a straight-line basis over the estimated useful lives, which are as follows:

Motor vehicles	5 years
Furniture and fixtures	1 - 4 years

The gain or loss arising on the disposal or retirement of an item of motor vehicle and furniture is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.12 Intangible asset



Intangible asset comprising computer software is stated at cost less accumulated amortisation and any impairment in value. The amount paid for computer software amortized on straight line basis over their estimated useful life of 3 years.

3.13 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses based on the net present value of future cash flows are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised. The reversal of the loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.14 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At present financial assets of the Company consist of financial assets at FVTPL, held-to-maturity' investments, AFS investments and receivables comprising accounts and other receivables, dues from related parties and cash and bank balances.

3.14.1 Investments Securities

Investments are recognised and derecognised on trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at the fair value, plus transaction costs, except for those investments classified as at fair value through profit or loss, which are initially measured at fair value. Premiums and discounts on held to maturity investments are aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield of the investment. For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices on the relevant exchange at the close of the business on the reporting date.

Effective interest method



The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'income from investments' line item in the statements of comprehensive income.

AFS investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) financial assets at FVTPL.

Investments securities held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "investments fair value reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.



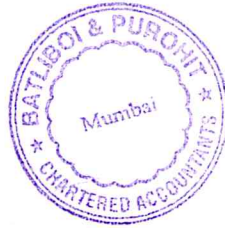
HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

3.14.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortised cost, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



Notes to the financial statements for the year ended 31 December 2020

3.14.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For AFS a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When an AFS financial assets is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity investment, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

With respect to the AFS equity investments, impairment loss previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments fair value reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.14.4 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The difference between the carrying amount of the financial asset derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

3.15 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost, using the effective interest method, with interest expenses recognised on an effective yield basis.

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



3.17 **Taxation**

Income tax expense represents the sum of the tax currently payable on Saudi Arabian income and Zakat tax, Saudi Arabian withholding tax, Kuwait income tax and Oman income tax, calculated using tax rates applicable based on Saudi Arabian, Kuwait and Oman operations.

3.18 **Provision for employees' end-of-service benefits**

Provision is made for amounts payable under the Bahrain Labour Law applicable to employees' accumulated periods of service and latest entitlements to salaries and allowances.

In UAE and Oman the end-of-service benefits are provided as per applicability of local laws.

3.19 **Foreign currencies**

Foreign currency transactions are recorded in Bahrain Dinars at the approximate rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the year-end rates of exchange. Exchange differences are reported as part of the results for the year.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are presented in Bahraini Dinars using exchange rates prevailing at each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Critical Accounting judgments and key sources of estimation uncertainty

In the application of the entity's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made judgements, (apart from those involving estimations) which have a significant effect on the amounts recognised in the financial statements. These include the following:

Classification of investments

Management has to decide upon acquisition of an investment whether it should be classified as HTM, investments at FVTPL or AFS.

For those deemed to be HTM, the Company ensures that the requirement of IAS 39 are met and in particular the Company has the positive intention and ability to hold these to maturity.

The Company classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making or, upon initial recognition, they are designated as at fair value through profit or loss.

All other investments are classified as AFS.

Impairment of HTM investments

HTM investment carried at amortised cost, impairment is measured as the difference between the carrying amount of the investment securities and the present value of estimated cash flows discounted at the investment securities original effective interest rate. Losses are recognised in the 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.

The Company considers evidence of impairment for HTM carried at amortised cost at both a specific asset and collective level. All individually significant HTM investments are assessed for specific impairment. All individually significant HTM investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. HTM investments that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Impairment of AFS equity investments

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Company also evaluates among other factors, normal volatility in the price of investments and the future cash flows and the discount factors for unquoted investments.

Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. The determination of the liabilities under life insurance contracts is dependent on estimates made by the company.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.

The estimated number of deaths determines the value of the benefit payments and the value of the valuation of premiums. In order to ensure the adequacy of liability the actuary of the Company estimates the current obligation of future liabilities at each reporting date.

Note 19, Life Insurance Fund, presents the basis used for the estimate of life funds in order to meet the current obligations of future liabilities.

Impairment losses on loans and receivables

The Company reviews problem receivables on a regular basis to assess whether a provision for impairment should be recorded in profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.



5. Motor Vehicles and Furniture

	Motor vehicles BD	Furniture, fixtures and others BD	Total BD	Motor vehicles INR	Furniture, fixtures and others INR	Total 2018 INR
Cost/ valuation						
At 1 January 2017	36,500	19,353	55,853	6,314,036	3,347,823	9,661,859
Additions	-	12,277	12,277	-	2,276,244	2,276,244
Disposals	-	(97)	(97)	-	(17,984)	(17,984)
Translation Difference				392,277	187,620	579,897
At 31 December 2018	36,500	31,533	68,033	6,706,313	5,793,703	12,500,016
Accumulated depreciation						
At 1 January 2017	30,575	14,929	45,504	5,289,087	2,582,527	7,871,614
Charge for the year	4,700	4,330	9,030	871,414	802,813	1,674,227
Disposals	-	(96)	(96)	-	(17,799)	(17,799)
Translation Difference				320,737	153,365	474,102
At 31 December 2018	35,275	19,163	54,438	6,481,238	3,520,906	10,002,144
Net book value						
At 31 December 2018	1,225	12,370	13,595	225,075	2,272,797	2,497,872

6. Intangible asset

	2018 Software BD	2018 Software INR
Cost		
At 1 January 2017	548,057	94,806,901
Translation Difference		5,890,133
At 31 December 2018	548,057	100,697,034
Accumulated amortisation		
At 1 January 2017	452,609	78,295,609
Amortisation	62,370	11,563,847
Translation Difference		4,760,005
At 31 December 2020	514,979	94,619,461
Net book value	33,078	6,077,573

7. Statutory deposits

	2,018 BD	2,018 INR
Cental Bank of Bahrain (7.1)	50,000	9,186,730
Nations Bank of Bahrain	51,835	9,523,883



Bank of Baroda, Dubai (7.2)	310,644	57,076,051
National Bank of Dubai (7.2)	5,177	951,194
Oman Houshing Bank S.A.O.C. (7.3)	73,636	13,529,481
Emirates NBD-dubai-Abu Dhabi (7.4)	5,650	1,038,101
	496,942	91,305,440

- 7.1 The cash deposit is placed with the Central Bank of Bahrain (the "CBB") as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook.
- 7.2 The deposits placed in Dubai, U.A.E. are in accordance with the U.A.E. Federal Law No. 6 of 2007 concerning formation of Insurance Authority of U.A.E., and is under lien to Insurance Authority of U.A.E.
- 7.3 The deposit placed in the Sultanate of Oman is in accordance with Royal Decree No. 12/79 promulgating and governing the insurance companies law in Oman and is under lien to Capital Market Authority of the Sultanate of Oman.
- 7.4 The deposit placed with Emirates NBD is for Abu Dhabi operations.
- 7.5 Interest rates on above deposits range between 1% to 3.25% per annum.

8. Investments Securities

	2,018 BD	2,018 INR
Designated at fair value through profit & Loss		
Quoted	<u>133,117,515</u>	<u>24,458,293,372</u>
Available-for sale ("AFS") Investment		
Quoted	65,537,744	12,041,551,179
Unquoted	<u>2,706,860</u>	<u>497,343,839</u>
	68,244,604	12,538,895,018
Allowance for impairment	<u>(2,709,551)</u>	<u>(497,838,269)</u>
Total AFS investments (B)	<u>65,535,053</u>	<u>12,041,056,749</u>
Held-to-maturity ("HTM") Investments		
Quoted	474,966,006	87,267,689,126
Allowance for impairment	<u>(11,636,158)</u>	<u>(2,137,964,836)</u>
Total HTM investments	<u>463,329,848</u>	<u>85,129,724,290</u>
Total Investment Securities	<u>661,982,416</u>	<u>121,629,074,411</u>

The fair value of HTM investment as at December 31, 2018 was BD 452.83 mn (INR 83200.54 mn)

(b) Investment at FVTPL

As at the reporting date, HTM investments comprise of the following:

	2018 BD	2018 INR
Quoated Investment		
Government bonds	53,496,801	9,829,213,333
Other Bond	<u>79,620,714</u>	<u>14,629,080,039</u>
Total Investments at FVTPL	<u>133,117,515</u>	<u>24,458,293,372</u>

The movement in investments at FVTPL are as follows:



	2018 BD	2018 INR
At the beginning of the year	119,953,976	20,750,514,433
Acquisitions/allotments - net	40,135,273	7,441,368,588
Disposals/redemptions	(21,409,563)	(3,969,487,129)
Increase in fair value	(5,562,171)	(1,031,266,551)
Translation Difference		1,267,164,031
At the end of the year	<u>133,117,515</u>	<u>24,458,293,372</u>

(C) AFS Investments

As at the reporting date, HTM investments comprise of the following:

	2018 BD	2018 INR
Quoted investments		
Government bonds	370,833	68,134,853
Mutual funds	19,295,613	3,545,271,736
Equities	29,967,476	5,506,062,216
Other bonds	15,903,822	2,922,082,374
	<u>65,537,744</u>	<u>12,041,551,179</u>
Unquoted investmnets	<u>2,706,860</u>	<u>497,343,839</u>
Total AFS investments	<u>68,244,604</u>	<u>12,538,895,018</u>
Allowance for impairment	<u>(2,709,551)</u>	<u>(502,363,544)</u>
	<u>65,535,053</u>	<u>12,036,531,474</u>

The unquoted equity Investments amounting to BO 2,706,860 (INR 497,343,839) are carried at cost as their

The movements in allowance for Impairment of AFS Investments are as follows:

	2018 BD	2018 INR
At the beginning of the year	(2,313,415)	(400,191,415)
Charge for the year	(1,052,546)	(195,149,607)
Reversed during the year	656,410	121,703,140
Translation Difference		(24,200,387)
At the end of the year	<u>(2,709,551)</u>	<u>(497,838,269)</u>

The movement in AFS investments are as follows:

	2018 BD	2018 INR
At the beginning of the year	86,278,688	14,925,117,285
Froeing exchange fluctuation	(532,363)	(98,703,933)
Acquisitions/ allotments -net	64,248,622	11,912,157,109
Disposals/redemptions	(68,026,879)	(12,612,673,160)
(Decrease)/Increase in fair value	(13,723,464)	(2,544,429,035)
Translation Difference		957,426,752
At the end of the year	<u>68,244,604</u>	<u>12,538,895,018</u>

(C) HTM Investments



	2018	2018
	BD	INR
Quoted Investment		
ZERO Coupon Bond	12,223,984	2,245,968,811
Other Bond	462,742,022	85,021,720,315
	<u>474,976,006</u>	<u>87,267,689,126</u>
Allowance for Impairment	(11,636,158)	(2,157,427,474)
Translation Difference		19,462,638
	<u>463,329,848</u>	<u>85,129,724,290</u>

The movements in HTM investments are as follows:

	2018	2018
	BD	INR
At the beginning of the year	507,638,475	87,815,009,166
Acquisitions/ allotments -net	22,915,533	4,248,704,810
Disposals/redemptions	(54,862,619)	(10,171,924,573)
Capitalisation interest (Note 11)	355,543	65,920,232
Amortisation of discount (Note 11)	(1,080,926)	(200,411,463)
Translation Difference		5,510,390,954
At the end of the year	<u>474,966,006</u>	<u>87,267,689,126</u>

The movement in allowance for impairment of HTM is detailed below:

	2018	2018
	BD	INR
At the beginning of the year	(12,086,386)	(2,090,791,281)
Charge for the year	(1,349,557)	(250,217,585)
Reversed during the year	1,799,785	333,693,097
Translation Difference		(130,649,067)
At the end of the year	<u>(11,636,158)</u>	<u>(2,137,964,836)</u>

10. Term deposits with banks

Term deposits with banks carry interest between 1% to 4% per annum with contractual maturities of five years.

Term deposits comprises amount of BD 45,551,622 (INR 8,369,409,047) (Note 14) which is maturing within three months from its original date of placement and accordingly being classified as Cash and Cash equivalents;

Term deposits Include BD 1,096,214 (INR 201,412,441) with State Bank of India, Oman as cash margin against guarantees issued by the bank (Note 29 {b}), and deposits of BD 2,646,547 (INR 486,262,254) under lien to Capital Market Authority of Sultanate of Oman.

11. Premiums receivable

	2018	2018
	BD	INR
Premiums receivable	<u>1,611,220</u>	<u>296,036,862</u>

Insurance receivable are recorded to the extent of the month of October, November and December 2018 and there are no past due receivables. No collateral has been obtained in respect of these receivables.

	2018	2018
Neither past due nor impaired		
Less than 90 days		
	<u>2018</u>	<u>2018</u>



<u>Premium receivable aging analysis</u>	BD	INR
Receivables:		
Policyholders	<u>1,611,220</u>	<u>296,036,862</u>

11. Accrued interest income

	2018 BD	2018 INR
Accrued investment income	8,318,182	1,528,337,843
Outstanding policy loan interest income	<u>1,295,727</u>	<u>238,069,882</u>
	<u>9,613,909</u>	<u>1,766,407,725</u>

The movement in accrued interest income is as follows:

	2018 BD	2018 INR
At the beginning of the year	9,735,236	1,684,072,191
Interest income for the year (note 27)	31,578,396	5,854,861,983
Capitalisation of interest (note 8 (d))	(355,543)	(65,920,232)
Amortisation of discount (note 8 (d))	1,080,926	200,411,463
Received during the year	(32,425,106)	(6,011,848,113)
Translation difference		104,830,433
At the end of the year	<u>9,613,909</u>	<u>1,766,407,725</u>

12. Other Asset

	2018 BD	2018 INR
Loan receivable from International Precious Metal Refiners ("IPMR") (note 12.1)	973,113	178,794,528
Allowance for loan receivable	<u>(973,113)</u>	<u>(178,794,528)</u>
Other receivables	61,126	11,230,961
Prepayments – Note 20 (b)	26,317	4,835,343
Due from Investment custodian	86,080	15,815,875
	<u>173,523</u>	<u>31,882,179</u>

- 13.1 A loan receivable amounting to BD 1,512,000 (INR 277,806,715) from international Precious Metal Refiners ("IPMR") was to be settled in three Installments until September 2013 as per the original agreement. During 2013, the Company rescheduled this loan to be received in six equal installment of so 189000 (34,725,839) each from December 31, 2013 to December 31, 2018 and the final installment of BD 378,000 (INR 69,451,679) on December 31, 2019. As collateral security, PMR obtained three insurance policies amounting to BD 160,887 (29,560,509) on the lives of the promoters & stakeholder partners and absolutely assigned the policies to LIC (International).

IPMR paid two Installments each of BO 189,000 (INR 34,725,839) due in Dec 2013 & Dec 2014; the Installment of SD 189,000 (INR 34,725,839) due In year 2015 was partially filled from the maturity proceeds of the three assigned policies amounting to BO 160,887 (INR 59,560,509).

The provision held against the loan sanctioned to PMR amounts to BD 973,113 (INR 178,794,528). The Company has initiated legal action against PMR, its promoters and shareholders in the court of Abu Dhabi to recover outstanding dues Including legal cost and damages.

IPMR has filed a Grievance case against LIC (International) based on fake & forged documents. Company has filed a Criminal case against the involved parties in PMR which is under investigation with the Public Prosecutor, Abu Dhabi.



13. Policy loans

	2018 BD	2018 INR
Policy loans	<u>6,234,379</u>	<u>1,145,471,132</u>

Policy loans carry interest rate of 8% per annum and have varied maturities. There were no past due or impaired balances as at the reporting date.

14. Bank balances and cash

	2018 BD	2018 INR
Cash in hand	534,993	98,296,725
Current accounts with conventional banks	13,531,414	2,486,188,939
Current accounts with investment banks	22,033,227	4,048,266,149
	<u>36,099,634</u>	<u>6,632,751,813</u>

As at December 31, 2018 term deposits amounting to BD 45,551,622 (INR 8,369,409,048) were classified as cash and cash equivalents (refer Note 9).

15. Share capital

The authorised share capital of the Company consists of 200,000 ordinary shares of BD 100 each which have been issued and fully paid and contributed as follows:

	Number of shares	Amount BD	Amount INR
Life Insurance Corporation of India	197,800	19,780,000	1,150,724,282
The International Agencies Company Limited, Bahrain	2,200	220,000	12,798,753
	<u>200,000</u>	<u>20,000,000</u>	<u>1,163,523,035</u>

16. Statutory reserve

As required by the Company's Articles of Association, 10% of the profit for the year should be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law. During the year, no transfer to the statutory reserve have been made due to the company reported loss.

17. Contingency fund reserve

As per Article 20 (3) b of the Oman Insurance Companies Law 1979: and new article 10·(bis) to the executive by-law issued by Capital Market Authority (CMA) vide administrative decision no. 5/19/2007 dated June 4, 2007, an amount equal to 1% of the net premiums for the year is to be transferred to a contingency reserve. The fund is not available for distribution, except in the circumstances stipulated in the Oman Insurance Companies Law. Accordingly, 1% of the net premium for the year of the Company's branch in Oman was transferred to this reserve.

18. Proposed dividend

No dividend is proposed for the year 2018. The proposed dividends for 2017 was amounting to BD 2,000,000 (INR 370,814,400) on the basis of BD 10 per share which was paid in 2018.

19. Life insurance fund

The movement in the life insurance fund during the year was as follows:

	2018 BD	2018 INR
At beginning of the year	752,045,134	130,094,257,209
(Reversal)/Addition Provided during the year	(14,312,395)	(2,653,621,082)
Actuarial reserve transferred to Life Insurance Corporation of India	(713,877)	(132,357,936)
Translation difference		8,107,587,611
At end of the year	<u>737,018,862</u>	<u>135,415,865,802</u>

The Company's actuary, M/s K.A. Pandit - Consultants and Actuaries, India has adopted the following methods and assumptions of valuation:

Methods

- The method of valuation employed is a prospective Gross Premium Valuation.
- The amount of long-term liabilities have been determined separately for each contract using a prospective calculation by projecting future cash flows on a monthly basis till the end of the term of the policy.
- For each product, the cash flows considered are: Premium income, expenses (including commission), death outgo, maturity outgo and survival outgo {if applicable}.
- The Contractual benefits under each product have been modelled in accordance with the product specifications for each plan.
- For products with guaranteed additions, the guaranteed additions vested as on the date of valuation and expected present value of future guaranteed benefits have been considered as part of liability.
- For participating products, sums assured and vested bonuses as on the valuation date have been considered as part of liability. Allowance is made for future reversionary bonus only for Oman branch of the Company assuming the future bonus rates to be the same as the current rates declared. No future bonus is considered for reduced paid-up policies.
- A provision equivalent to 50% of the reserve for lapsed policies is made towards revival of lapsed policies based on expected revival percentage of 50%.
- Reinsurance credit is allowed in the liabilities as per the reinsurance treaty.
- For unit linked products, the liabilities consist of unit and non-unit reserves. Unit reserve is the Fund Value. There is no reinsurance credit on Unit Linked Liabilities.
- The non-unit reserves is calculated using the cash flow approach as mentioned above.
- Negative reserves, If any, are zeroed and thus no policy Is treated as an asset.
- For policies under one year renewable group term products, unearned premium reserves (UPR) method using 1/365th method has been used for valuing liabilities.
- Allowance for future lapses and surrenders is not provided in the projected cash flow as a prudent measure.
- A provision has been made to support the cost of bonus declared as at the date of valuation and the same is subject to the approval of the Board.
- Reserves for optional rider are computed using gross premium methodology.



Assumptions

- The following table summarizes the rate of Interest used for valuing the liabilities over different valuation periods:

Year	Rate of interest assumption		
	Assurances	Personal Pension	Deferred annuity
2011	4.50%	4.50%	4.50%
2012	4.50%	4.50%	4.50%
2013	4.50%	4.50%	4.50%
2014	4.50%	4.50%	4.50%
2015	4.50%	4.50%	4.50%
2016	4.50%	4.50%	4.50%
2017	4.50%	4.50%	4.50%
2018	4.50%	4.50%	4.50%

- The following table shows mortality assumption for valuing liabilities:

	Mortality Assumption
Assurances	85% of IALM (2006-08) ultimate
Annuities:	
Death Benefits	85% of IALM (2006-08) ultimate
Annuity Benefits	75% of LIC (1996-98) ultimate rated down by 3 years.

- The mortality assumption of 85% of Indian Assured Lives Mortality ("IALM") (2006-08) Ultimate for Assurances and Death benefits and 75% of LIC {1996-98} Ultimate rated down by 3 years for Annuity benefits, used in the valuation of liabilities as of the reporting date is consistent with the assumptions used in the valuation as on December 31,2017.
- Expenses are equal to a certain percentage of office premiums as given in the table below. The expense assumption upto the third year is inclusive of commission as the commission on premium is paid only for the first 3 policy years. The expenses assumption from the 4th policy year onwards relates to the all expenses except commission.

Plan	2 nd and 3 rd year	4 th year Onward
Regular premium and limited premium payment policies		
201, Cash Back Plans, 206,207,208, 209, 210, 211, Cash back plan with added cover, 215, 218, 224, 225, 227, 228, 241	30%	3%
202	25%	3%
217, 219, 220, 223, 239	20%	3%
243	7%	3%
230, 233, 235 (ULIPs)	NA	NA

Single Premium and Paid up Policies	2 nd year Onward
201, Cash Back Plans, 206,207,208, 209, 210, 211, Cash back plan with added cover, 215, 217, 218, 219, 220, 221, 223, 224, 225, 227, 228, 232, 236, 237, 238, 240, 241, 242, 243	.05%
230, 233, 235 (ULIPs)	NA

The expenses assumption for plan 244, 245, 246 and 247 are as follows:-

Commission: Assumed actual payable rates

Premium related expenses (as percentage of premium):

Plan	1st year	2nd year onwards
244	5%	1.5%
245	0.08% of Single Premium	0.08% of Single Premium
246	0.08% of Single Premium	0.08% of Single Premium
247	0.08% of Single Premium	0.08% of Single Premium

Fixed expenses (Per Policy) - :



Plan	All Years In BD	All Years In INR
244	14	2596
245	15	2781
246	15	2781
247	15	2781

Sum Assured related expenses (as Percentage of sum assured):

Plan	1st year	2nd year onwards
244	0.013%	0.013%
245	Nil	Nil
246	Nil	Nil
247	Nil	Nil

20. Related parties

Related parties as defined in International Accounting Standard 24 include shareholders and key management personnel of the Company and their close family members and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions with related parties are approved by the Company's management.

The Company's Shareholders, Life Insurance Corporation of India ("LIC"), and the International Agencies Company Limited ("Intercol") provide administration, technical assistance and other services to the Company for which they are entitled to fees at agreed terms.

The technical assistance fee expenses to LIC India for the year ended December 31, 2018 amounted to BD 10,832 (INR 2,008,331) (Note 29).

The administration and technical expenses to Intercol for the year ended December 31, 2018 amounted to BO 569,176 (INR 105,529,328).

The commission on first year and second year premium paid to related parties are as follows:

	2018	2018
	BD	INR
The International Agencies Company Limited	839,658	1,990,213
20 (a) Due from a related party:	2018	2018
	BD	INR
Administration and technical- Intercol		-
20 (b) Due to related parties:		
	2018	2018
	BD	INR
Technical assistance fees- LIC India	10832	1,990,213

During 2018 - Annual maintenance charges relating to elife software of BD 28,350 (INR 5,256,294) paid to LIC India for one year period (Oct 18 to Sept 19) i.e. BD 21,263 (INR 3,925,122) are prepaid for the year 2019. (Note 12).

20.(C) Compensation of key management personnel

Remuneration to the CEO & Managing Director and other members of key management during the year was as follows:

	2018	2018
	BD	INR
Short term benefits	178,597	33,113,170

The above compensation was in the form of salaries, allowances and bonuses.

20 (d) Cost of software (e-life) to related party

The Company has implemented e-Life data software with effect from July 1, 2016 at cost of BD 189,000 (INR 34,725,839). The cost of the software is charged by Life insurance Corporation of India {"LIC"} to the Company. As per



payment agreement an amount of BO 94,500 (INR 17362920) was paid during 2016 and balance amount of BD 94,500 (INR 1,7362,920) was payable as on December 31, 2017. it was paid during the year 2018.

21. Zakat and Tax provision

	Saudi Tax and Zakat	Kuwait Tax	Oman Tax	2018 Total	Saudi Tax and Zakat	Kuwait Tax	Oman Tax	2018 Total
	BD	BD	BD	BD	INR	INR	INR	INR
At the beginning of the year	134,949	15,000	9,711	159,660	23,344,463	2,594,810	1,679,880	27,619,153
Reversed During the year			(9,711)	(9,711)			(1,800,489)	(1,800,489)
Translation Diff.					1,450,338	161,209	120,609	1,732,156
At the end of the year	134,949	15,000	0	149,949	24,794,801	2,756,019	0	27,550,820

The Director of Income Tax ("DIT") in the State of Kuwait has finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the year 2012. No additional provision has been made during the year.

In respect of earlier operation in Saudi Arabia, the Company did not receive any new tax assessment from year 2009 as of the approval date of this audited financial statement. The provision of BD 134,949 (INR 2,4794,801) was provided in the year 2010.

The Company's Oman Branch tax assessment for the year 2016 and 2017 has not been completed by the Oman tax authority. The Company's management is of the opinion that the additional taxes, if any, that may become payable on finalization of the said would not be significant to the Company. Therefore no provision for such additional tax liability has been made in the financial statements.

22. Reinsurance contracts and receivable liabilities

The Company's panel of reinsurers to whom business is ceded comprises Swiss Re, Hannover Re and Munich Reinsurance Company. Under the reinsurance treaty, the Company is compensated for losses on insurance contracts issued. As per the reinsurance treaty, the retention limit depends on Sum Assured, Age of LA and whether the life is standard or substandard. The maximum Sum Assured retained by the Company is USD 100,000 (INR 183734600). As per reinsurance treaty, the reinsurance is provided for age groups from 7 years to 99 years for death benefit, 18 years to 70 years for accidental benefit and from 18 years to 60 years for Critical Illness Rider. These reinsurance arrangements protect the Company from high risk insurance contracts.

	2018 BD	2018 INR
<i>Reinsurance contracts receivable</i>		
Swiss Reinsurance Company	88,237	16,212,190

Reinsurance contracts liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Movement in reinsurance liabilities is as follows:

	Swiss Re, Hannover Re and Munich Re	
	2018 BD	2018 INR
At the beginning of the year	715,653	123,798,880
Reinsurance ceded	201,736	37,403,307
Paid during the year	(347,988)	(64,519,481)
Reversal during the year	(185,774)	(34,443,837)
Translation difference		8,246,684
At the end of the year	383,627	70,485,553



23. Claims payable

	Maturity	Death	Survival	Disability	2018	
	claim	Claims	claims	claims	Surrenders	Total
	BD	BD	BD	BD	BD	BD
At 1 January 2018	3034565	9552	552577	-	-	36596694
Claims provided during the year	146775444	2028110	4225363	23890	3237532	156290339
Claims paid	(147042724)	(1952077)	(4278808)	(23890)	(3237532)	(156535031)
At 31 December 2018	<u>2,767,285</u>	<u>85,585</u>	<u>499,132</u>	<u>-</u>	<u>-</u>	<u>3,352,002</u>

	Maturity	Death	Survival	Disability	2020	
	claim	Claims	claims	claims	Surrenders	Total
	INR	INR	INR	INR	INR	INR
At 1 January	524,941,206	1,652,375	95,588,803	0	0	622,182,384
Claims provided during the year	27,213,224,101	376,026,196	783,412,723	4,429,378	600,261,743	28,977,354,141
Claims paid	(27,262,779,737)	(361,929,131)	(793,321,811)	(4,429,378)	(600,261,743)	(29,022,721,800)
Translation difference	33,060,433	(24,514)	6,028,103			39,064,022
At 31 December	<u>508,446,003</u>	<u>15,724,926</u>	<u>91,707,818</u>	<u>0</u>	<u>0</u>	<u>615,878,747</u>

24. Other liabilities

	2018	2018
	BD	INR
VAT payable	1,513	277,990
Accounts payable	626,058	115,028,516
Proposal deposits	787,943	144,772,392
Policy deposits	487,237	89,522,295
Discounted premium	1,866,542	342,948,348
Accrued expenses and provisions	274,621	50,457,380
	<u>4,043,914</u>	<u>743,006,921</u>

25. Premiums

25.1 First year

First year premium represents, a new business premium pertaining for the first year of life insurance contract under conventional policies and where the premium is not a single premium.

25.2 Renewal

Renewal premium represents, premium pertaining to other than first year of life insurance contract under conventional policies and where the premium is not a single premium.

25.3 Single premium

Single premium represents a new business lump sum premium paid at the time of entering into life insurance contract under conventional policies and where the premiums are not payable subsequently.

25.4 Unit link premium

ULIP premium represents all types of premiums pertaining to life insurance contracts under Unit Linked Insurance Policies.

26. Discount on commutation of premium



This represents discount on commutation of premium to the policyholders who had commuted the premium for the full policy period. The Company provides 3.5% per annum discount on future cash flows.

27. Realised income from investments

	2018 BD	2018 INR
Interest income (note 11)	31,578,396	5,854,861,983
Dividend Income	847,848	157,197,124
Gain on disposal of investments	4,058,628	752,498,853
	<u>36,484,872</u>	<u>6,764,557,960</u>

28. Other income

	2020 BD	2020 INR
Interest on policy loans	540,281	100,171,987
Interest on premiums	99,648	18,475,457
ULIP charges	31,420	5,825,494
Others	205,284	38,061,132
	<u>876,633</u>	<u>162,534,070</u>

29. General and administrative expenses

	2020 BD	2020 INR
Commission	4,945,394	916,911,653
Compensation	1,172,772	217,440,373
Employee costs	419,655	77,807,059
Administrative expenses	618,697	114,710,878
Legal and consultancy expenses	93,820	17,394,904
Technical assistance fees – LIC India (Note 20)	10,832	2,008,331
	<u>7,261,170</u>	<u>1,346,273,198</u>
	<u>4,945,394</u>	<u>916,911,653</u>

30. Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company consist of bank balances and cash, fixed deposits, premium receivable, due from related parties, accrued income, policy loans and investments.

Financial liabilities of the Company consist of payables and accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and due to related parties.

Accounting policies for financial assets and financial liabilities are set out in note 3.

The risk associated with financial instruments and the Company's approach to managing such risks are described as follows:

(a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net of bank balances and cash (note 11) and equity comprising issued capital, reserves (including investments fair value reserve) and retained earnings.

The issued share capital which is classified as a part of tier 1 capital is above minimum tier 1 capital requirement of BD 5 Mn (INR 919Mn) as per section CA – 1.2.1 of CBB rulebook volume 3.



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The required margin of solvency as calculated by the Actuary as per section CA-2 is BD 29.85 Mn (INR 5484 Mn) whereas the capital available calculated as per section CA-1.2.21 and CA-1.2.22 is BD35.95 Mn (INR 6,605 Mn) which is 1.20 times of required margin of solvency.

33.2 Categories of financial instruments

The summary of financial assets and financial liabilities are as follows:

	2018 BD	2018 INR
Financial assets		
Receivables at amortised cost (including bank balances and cash)	118,871,827	21,840,867,585
HTM investments	463,329,848	85,129,724,290
AFS investments	65,535,053	12,041,056,749
Investments at FVTPL)	133,117,515	24,458,293,372
	<u>7,790,375</u>	<u>1,431,361,434</u>
Financial liabilities		
Amortised cost	<u>7,790,375</u>	<u>1,431,361,434</u>

33.3 Insurance risk management

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability over the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and age group. Underwriting limits are in place to enforce appropriate risk selection criteria.

33.4 Reinsurance risk management

Reinsurance risk is the risk, other than financial risk, transferred insurance contract issued by one insurer to compensate another insurer for one or more contracts issued by the cedant.

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

Reinsurance contracts ceded do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies the Company obtains reinsurance through financially sound reinsurers, being Swiss Reinsurance Company, Munich Re and Hannover Re as explained in Note 22.

33.5 Claim development

Claim year	2015 BD	2016 BD	2017 BD	2018 BD	Total BD
At the end of the accident year	3,166,790	3,076,329	3,596,694	3,352,002	13,191,815



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Current estimate of cumulative claims	3,166,790	3,076,329	3,596,694	3,352,002	13,191,815
Cumulative payments to date	(3,166,790)	(3,076,329)	(3,596,694)	-	(9,839,813)
Liability recognised in the statement of financial position	-	-	-	3,352,002	3,352,002

Claim year	2015	2016	2017	2018	Total
	INR	INR	INR	INR	INR
At the end of the accident year	581,848,894	565,228,078	660,837,133	615,878,747	2,423,792,852
Current estimate of cumulative claims	581,848,894	565,228,078	660,837,133	615,878,747	2,423,792,852
Cumulative payments to date	(581,848,894)	(565,228,078)	(660,837,133)	-	(1,807,914,105)
Liability recognised in the statement of financial position	-	-	-	615,878,747	615,878,747

33.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments foreign currency denominated financial instruments and interest bearing financial instruments.

33.7 Fair value risk management

Fair value risk is the risk that the fair values of investment securities decrease as the result of changes in the levels of individual prices. Price risk arises from the change in fair values of investment securities.

The Company is exposed to fair value risks arising from investment securities. Investment securities are held for strategic rather than trading purposes. The Company does not actively trade in these investment securities.

Fair value sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period. If prices had been 5% higher/lower:

- Profit for the year ended December 31, 2018 would Increase/decrease by BO 6,655,876 {INR 1,222,914,715} as a result of the changes in fair value of investment at FVTPL.
- Other comprehensive income and investments fair value reserve would increase/decrease by BD 3,141,410 (INR 5771855710) as a result of the changes In fair value of AFS investments.

The Company limits price risk by maintaining a well-diversified portfolio and by continuous monitoring of pertinent developments In International equity and bond markets.

33.8 Currency risk management

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

The Company's financial assets and financial liabilities are denominated in Bahraini Dinars, United States Dollars, United Arab Emirates Dirhams, Saudi Arabian Riyals, Omani Riyals, Qatari Riyals, Kuwaiti Dinars and Indian Rupees. As the Bahraini Dinar, United Arab Emirates Dirham, Omani Riyal, Qatari Riyal and Saudi Arabian Riyal are effectively pegged to the United States Dollar, balances in the United States Dollars, United Arab Emirates Dirhams, Oman Riyals, Qatari Riyal and Saudi Arabian Riyals are not considered to represent a significant currency risk. However, balances denominated in Indian Rupees and Kuwaiti Dinars are exposed to movements in exchange rate.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 BD	2018 INR	2018 BD	2018 INR
United States Dollars	749,395,557	137,689,892,907	6,768,346	1,243,579,345
Indian Rupees	7,387,182	1,357,280,930	0	



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Saudi Riyals	533,679	98,055,298	143,794	26,419,933
Oman Riyals	13,416,753	2,465,121,746	12,622	2,319,098
United Arab Emirates -Dirhams	3,243,819	596,001,786	590,407	108,478,194
Kuwaiti Dinars	1,450,377	266,484,438	1,537	282,400
Qatari Riyals	945,509	173,722,718	679	124,756

Foreign currency sensitivity analysis

The Company is mainly exposed to currency risk with respect to the Indian Rupee and Kuwaiti Dinar. The following table details the Company's sensitivity to a 10% increase in the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar considered separately. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit (and a negative number indicates a decrease in profit) where the Indian Rupee and Kuwaiti Dinar strengthens 10% against the Bahraini Dinar. For a 10% weakening of the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar, there would be an equal and opposite impact on the profit.



Notes to the financial statements for the year ended 31 December 2020

	Profit or loss	
	2018 BD	2018 INR
Impact on:		
Indian Rupee (a)	(738,718)	(135,728,056)
Kuwaiti Dinar (b)	(144,884)	(26,620,204)

- (a) This is mainly attributable to the exposure outstanding on Indian Rupee receivables at year end in the Company.
- (b) This is mainly attributable to the net exposure outstanding on Kuwaiti Dinar at year end in the Company.

33.9 Interest rate risk management

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

The Company's fixed deposits are at fixed Interest rates with variable maturity periods (Note 7). Investments in bonds are at fixed interest rates and include both government and other bonds. The Company holds most of these bonds to maturity and the accounting policy for held-to-maturity investments are set out in Note 3.14.1. Thus repricing, in respect of fixed rate financial Instruments, only occurs when funds are being reinvested on maturity of a deposit or bond.

33.10 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages credit risk with respect to receivables from policyholders by monitoring in accordance with defined policies and procedures. Credit risk with respect to reinsurance companies is not considered to be significant.

Insurance receivables are recorded to the extent of the month of October, November and December 2020, and there are no past due receivables. No collateral has been obtained in respect of these receivables.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities or customers.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

The carrying value of financial assets at the reporting date represents the Company's maximum exposure to credit risk on financial assets.

33.11 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to dry up immediately.

To mitigate the risk, management ensures it has access to diversified funding sources and assets are managed with liquidity in mind, thereby maintaining a healthy balance of cash and cash equivalents to meet any unexpected liquidity needs. The management of the Company also manages the maturities of the Company's financial assets and financial liabilities in such a way as to be able to maintain an adequate liquidity ratio.



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The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest (where applicable) and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	BD	BD	BD	BD	BD
<i>2018</i>						
Non-interest bearing	-	5,256,873	755,744	1,038,552	739,206	7,790,375

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	INR	INR	INR	INR	INR
<i>2018</i>						
Non-interest bearing	-	965,869,458	138,856,322	190,817,936	135,817,718	1,431,361,434



Notes to the financial statements for the year ended 31 December 2020

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the non-derivative financial assets including interest (where applicable) that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	Less than	1-3 months	3 months to	1-5 years	5+ years	Total
		1 month	BD	BD	1 year	BD	BD
	%	BD	BD	BD	BD	BD	BD
2020							
Non-interest earning	-	37,710,854	9,787,432	88,237	59,321,838	-	106,908,361
Variable interest rate instruments	1.86%	5,676,214	13,241,910	43,560,168	2,886,101	612,407	65,976,800
Fixed interest rate Instruments	5.02%	891,720	1,902,816	14,527,561	167,141,594	830,343,274	1,014,806,965
		44,278,788	24,932,158	58,175,966	229,349,533	830,955,681	1,187,692,126

	Weighted average effective interest rate	Less than	1-3 months	3 months to	1-5 years	5+ years	Total
		1 month	INR	INR	1 year	INR	INR
	%	INR	INR	INR	INR	INR	INR
2020							
Non-interest earning	-	6,928,788,675	1,798,289,904	16,212,190	10,899,474,176	-	19,642,764,945
Variable interest rate instruments	1.86%	1,042,916,909	2,432,997,037	8,003,510,043	530,276,613	112,520,355	12,122,220,957
Fixed interest rate Instruments	5.02%	163,839,818	349,613,137	2,669,215,609	30,709,693,917	152,562,789,311	186,455,151,791
		8,135,545,402	4,580,900,077	10,688,937,843	42,139,444,706	152,675,309,666	218,220,137,694

33.12 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined by using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values, except in the case of certain held-to-maturity investments.



Notes to the financial statements for the year ended 31 December 2018

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2018		
	Level 1 BD	Level 2 BD	Total BD
Investments designated at FVTPL	133,117,515	-	133,117,515
AFS financial assets	50,488,790	12,339,403	62,828,193
	<u>183,606,305</u>	<u>12,339,403</u>	<u>195,945,708</u>

	2018		
	Level 1 INR	Level 2 INR	Total INR
Investments designated at FVTPL	24,458,293,372	0	24,458,293,372
AFS financial assets	9,276,537,635	2,267,175,274	11,543,712,909
	<u>33,734,831,007</u>	<u>2,267,175,274</u>	<u>36,002,006,281</u>

There are no financial liabilities at FVTPL at the reporting date.

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information on how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	2018 BD	2018 INR		
Designated at FVTPL				Quoted bid prices in an active market
Manufacturing industry	6,568,981	1,206,949,096	Level 1	
Banking industry	50,454,444	9,270,227,087	Level 1	
Oil and gas industry	4,743,012	871,455,413	Level 1	
Government sector	53,496,801	9,829,213,333	Level 1	
Real estate industry	3,171,582	582,729,350	Level 1	
Others	14,682,695	2,697,719,093	Level 1	
	<u>133,117,515</u>	<u>24,458,293,372</u>		



Notes to the financial statements for the year ended 31 December 2020

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	2018 BD	2018 INR		
AFS investments				Quoted bid prices in an active market
- Manufacturing	9,068,581	1,666,212,103	Level 1	
- Banking industry	11,958,206	2,197,136,196	Level 1	
- Oil and gas industry	1,037,239	190,576,693	Level 1	
- Government sector	370,833	68,134,853	Level 1	
- Others	28,053,931	5,154,477,790	Level 1	
AFS Level 1	50,488,790	9,276,537,635		
AFS investments				Net Asset Value reports as at 31 December
- Banking industry	1,313,879	241,405,033	Level 2	
- Others	11,025,524	2,025,770,241	Level 2	
AFS Level 2	12,339,403	2,267,175,274		
	62,828,193	11,543,712,909		
HTM instruments measured at amortised cost				Quoted bid prices in an active market
- Manufacturing	59,674,788	10,964,323,303	Level 1	
- Banking industry	114,594,292	21,054,936,403	Level 1	
- Real estate industry	9,850,833	1,809,938,861	Level 1	
- Oil and gas industry	57,185,316	10,506,921,161	Level 1	
- Government sector	92,200,403	16,940,404,165	Level 1	
- Others	119,324,818	21,924,097,706	Level 1	
	452,830,450	83,200,621,599		

34. Geographical concentration of investments

34.1 HTM investments

	2018 BD	2018 INR
BRICS countries	111,264,386	20,443,117,456
Developed countries	133,028,997	24,442,029,552
Other countries	219,036,465	40,244,577,282
	463,329,848	85,129,724,290

34.2 AFS investments

	2018 BD	2018 INR
BRICS countries	8,928,873	1,640,542,909
Developed countries	40,385,112	7,420,142,399
Other countries	16,221,068	2,980,371,441
	65,535,053	12,041,056,749

34.3 Designated at FVTPL

	2018 BD	2018 INR
BRICS countries	25,383,159	4,663,764,566
Developed countries	26,688,166	4,903,539,505
Other countries	81,046,190	14,890,989,301
	133,117,515	24,458,293,372



35. Contingencies and commitments

35.1 Taxation

The Department of Zakat and ncome Tax (DZIT) of the Ministry of Finance and National Economy In Saudi Arabia has finalized the Company's tax declarations In respect of the Company's Saudi Arabian operations for the year 1998 to 2008. The taxes have been settled as per final assessments.

The Company's tax declaration in respect of the company's Saucll Arabfan Operat ons for the years 1998 to 2002 were rejected by DZIT due to rescissions of the resolution of the Appeal Committee and Issued on notice assessing Zakat and Income tax amounting to BD 461,541 (INR)for the years ended 1998 to 2002. The Company had fled objection against the assessment and had provided the DZIT with a guarantee. On February 20, 2017, the Company received the decision of the Tax Appeal Committee after the evaluation of the decision the Company finalized and settled an amount of BO 238,487 (INR) for the tax assessment for the years 1998-2002 and reversed the additional provision made in relation to the mentioned period amounting to BO 223,054 (INR). The DZIT on the receipt of the payment from the Company have released the guarantee. The Company did not receive any new tax assessments from year 2009 to year 2012 as of the approval date of this audited financial statement. A provision of BO 134,949 (INR) Is provided during the year 2010.

The Company's Oman Branch tax assessment for the year 2016 and 2017 has not been completed by the Oman tax authority. The Company's management is of the opinion that the additional taxes, If any, that may become payable on finalisation of the said would not be significant to the Company. Therefore, no provision for such additional tax liability has been made in the financial statements.

Commitments

	2018 BD	2018 INR
Investment commitments	484372	88,995,896

38. Life insurance corporation group information

Life Insurance Corporation of India's Group financial information can be accessed at www.licindia.in

