

**ISLAMIC ARAB INSURANCE CO.
(SALAMA) PJSC AND ITS
SUBSIDIARIES**

**REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2025

Islamic Arab Insurance Co. (SALAMA) PJSC and its subsidiaries

Consolidated financial statements

31 December 2025

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ISLAMIC ARAB INSURANCE COMPANY (SALAMA) PSC

Board of Directors' Report

For the year ended 31 December 2025

Introduction

The Board of Directors of Islamic Arab Insurance Company (SALAMA) (the “Company”) is pleased to present the 46th annual report and audited consolidated financial statements for the Company and its subsidiaries¹ (referred to collectively as the “Group”) for the year ended 31 December 2025.

The year marked an important phase in SALAMA’s strategic development as the Group strengthened its capital structure, enhanced financial discipline and advanced key transformation initiatives designed to set the Group’s clear agenda for sustainable long-term growth.

The Board remains focused on aligning the Company’s strategy with the evolving dynamics of the UAE insurance market, driving sustainable growth disciplined risk management and enhanced customer value.

The Board believes that the initiatives undertaken during the year have materially strengthened the Group’s financial and operational foundations, positioning SALAMA to pursue its next phase of disciplined growth and value creation.

During the year, the Group also strengthened both its Board of Directors and senior leadership team, reinforcing SALAMA’s corporate governance framework and supporting the execution of its long-term strategy.

Financial Highlights

For the year ended 31 December 2025, SALAMA delivered a resilient financial performance in 2025 while maintaining a disciplined approach to underwriting and risk management.

Total Takaful revenue of AED 1,004.9 million, reflecting the continued scale of the Group’s operations across its core markets. The Group generated net investment income of AED 195.6 million supported by the performance of its diversified investment portfolio.

The Group recorded a profit before tax of AED 16.8 million and net profit after tax of AED 11.2 million for the year. The underwriting result remained broadly balanced as management continued to prioritise underwriting discipline, strengthen risk selection and optimise portfolio quality across business lines. The year’s results also reflect improved receivable recoveries and strengthened credit management processes.

As at 31 December 2025, the Group maintained a solid financial position with total assets of approximately AED 3.24 billion. Total equity increased to approximately AED 360 million, supported by the impact of capital restructuring and positive movements in other comprehensive income (OCI) during the year.

¹ For a list of the Company’s subsidiaries, please see the company structure chart on page [17]

During the year, the Company implemented a comprehensive capital restructuring initiative aimed at strengthening the Group's financial position and improving balance sheet, with shareholders approving a capital reduction of AED 456.6 million on 16 October 2025, which became effective on the Dubai Financial Market on 9 January 2026. The restructuring involved the cancellation of 439.7 million shares and the utilisation of statutory reserves to offset accumulated losses. Following the restructuring, the Company's issued share capital stands at AED 483 million (483,021,183 shares).

Justification for the recommendation not to distribute dividends

The Board of Directors has carefully evaluated the Company's financial performance, capital position, and future capital requirements. In view of the ongoing capital optimisation initiatives and the strategic focus on strengthening the Group's solvency position and balance sheet, the Board has resolved not to propose a dividend distribution for the year ended 31 December 2025.

This approach reflects the Board's commitment to prudent capital management, ensuring adequate capital buffers to support growth, meet regulatory requirements and enhance long-term financial resilience.

The Board will continue to assess dividend distributions in future periods based on profitability, solvency and overall financial performance.

Zakat

The Company does not pay Zakat on behalf of its shareholders, and the responsibility of paying Zakat is that of the shareholders. Based on the methodology approved by the Internal Sharia Supervision Committee, the Zakat for the year ended 31 December 2025 is estimated at AED 0.027 per share.

Industry Environment

The UAE insurance sector continues to be dynamic, demonstrating resilience and long-term growth potential, supported by strong economic fundamentals, population growth and increasing awareness of insurance protection.

The Takaful segment remains an important component of the UAE insurance landscape. According to the IMF's October 2025 World Economic Outlook, the UAE economy is projected to grow by 4.8% in 2025 and 5% in 2026, providing a supportive environment for the continued development of insurance and Takaful solutions.

Strategic Priorities

During 2025, SALAMA continued to advance its strategic agenda with a focus on strengthening financial resilience, enhancing operational discipline and positioning the Group for sustainable long-term growth, through its own transformation and by unlocking market potential. Strengthening underwriting discipline through improved portfolio quality and risk selection.

Enhancing capital efficiency through disciplined capital deployment. Operational efficiency and digital enablement through investment in technology and automation. Strengthening governance and leadership capabilities in line with international best practices.

Recognition and Awards

SALAMA continued to receive recognition from regional and international industry platforms for its commitment to customer service, innovation and Shariah-compliant insurance solutions.

- Global Banking & Finance Review
- Best Insurance Website UAE 2025
- Best Life and Health Takaful Provider UAE 2025
- Best General Takaful Provider UAE 2025
- MEA Finance Industry Awards
- Best Takaful Provider
- Global Takaful Awards
- Best Family Takaful Company

Additional recognitions included:

- Leading Takaful Solution Provider UAE
- Most Trusted Islamic Insurance Brand
- Insurance Leader of the Year – Digital Insurance MENA
- Emirates Labour Market Award – Financial and Insurance Activities

Risk Management and Governance

Risk management remains a core pillar of SALAMA's operating framework. The Group maintains a comprehensive risk management structure designed to identify, assess and manage underwriting, investment and operational risks.

This framework is supported by strong governance structures, internal control processes and oversight from the Board and its committees.

Digital Transformation

Digital enablement remains a key strategic priority for SALAMA. The Group continues to invest in technology and automation to strengthen distribution capabilities, enhance customer engagement and improve operational efficiency.

Regulatory Environment

The regulatory environment for the UAE insurance sector continues to evolve. During the year, the UAE introduced Federal Decree Law No. 6 of 2025 strengthening the regulatory framework governing financial institutions and insurance activities.

SALAMA continues to work closely with the Central Bank of the UAE to ensure compliance with the evolving regulatory landscape.

Outlook

Looking ahead, SALAMA remains focused on strengthening underwriting discipline, enhancing capital efficiency and delivering sustainable and scalable profitability.

The Board believes that the strategic initiatives undertaken during the year provide a strong foundation for the Group's continued progress.

Closing Remarks

The Board of Directors would like to express its sincere appreciation to the Group's customers, shareholders, regulators and business partners for their continued trust and support.

The Board also extends its gratitude to the management team and employees whose dedication and professionalism continue to drive the Group's progress.

Board of Directors

Mr. Essa Ali Bin Salem Bin Jassim Alzaabi – Chairman of the Board

Mr. Fareed Lutfi Al Harmouzi – Vice Chairman of the Board

Mr. Rashed Mohammed Abdulrahman – Board Member

Mr. Buti Abdulla Aljumairi – Board Member

Mrs. Maha Abdul Majeed Al-Fahim – Board Member

Mr. Umair Nizami – Board Member

Mr. Parvaiz Siddiq – Board Member

On behalf of the Board:



Essa Ali Bin Salem Bin Jassim Alzaabi

Chairman of the Board of Directors

24 March 2026

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Islamic Arab Insurance Co. (Salama) PJSC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA) as applicable to audits of financial statements of public interest entities together with the ethical requirements that are relevant to the audits of the consolidated financial statements of public interest entities in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
<p><u>Accounting for takaful revenue for contracts measured under Premium Allocation Approach (PAA)</u></p> <p>During the year ended 31 December 2025, the Group has recorded takaful revenue from contracts measured under PAA amounting to AED 887,371 thousand (note 26).</p> <p>The Group has applied the PAA measurement model for its General and Group life products after conducting eligibility tests based on factors stated in IFRS 17. Under PAA, the revenue recognition follows a simplified approach where the revenue recorded is gross written premiums less movement in gross unearned premiums.</p> <p>The occurrence for takaful revenue for contracts measured under PAA can be overstated by changing the policy start/end dates whereby the policy starting post year end is recorded in the current year to improve profitability/ loss ratios or recording policies with overstated premiums. This can result in overstatement of takaful revenues and takaful receivables.</p> <p>Due to the complexities involved and risk of overstatement, this matter is to be considered as a key audit matter.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We performed walkthrough of the revenue process and control testing over PAA premium underwriting and recording; • We engaged our actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the calculations within the actuarial balances; • For a sample of revenue items that are recognized during the year, we performed the following; <ul style="list-style-type: none"> ○ Agreed to appropriate supporting documentation which included agreeing the policy premium and the agreed brokerage commission percentage to the signed slip for the policy; and ○ Traced the policies recorded to the underlying contracts. • Agreed the contribution expected in subledger(s) and/or reserving models to the general ledger control accounts, investigated any unusual items and tested other reconciling items based on the established testing threshold; • For revenue cut-off, we selected a sample of transactions close to the year end, and reviewed the policy inception dates for the revenue recognized to ensure that revenue is recorded in the correct period; and • Performed testing on the determination of liability for remaining coverage (LRC) and associated movements.



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
<p><u>Valuation of takaful contract liabilities, retakaful contract assets and retakaful contract liabilities</u></p> <p>As at 31 December 2025, takaful contract liabilities, retakaful contract assets and retakaful contract liabilities amounted to AED 2,478,886 thousand, AED 437,121 thousand and 101,165 thousand respectively (note 13).</p> <p>The Group adopted the PAA model to value its general takaful and short-term life contracts.</p> <p>The Group adopted the General Measurement Model and Variable Fee Approach models to value its long-term life contracts.</p> <p>Any misstatement in relation to valuation of takaful contract liabilities would affect the liabilities under takaful contracts and related income statement accounts.</p> <p>Based on the above factors which involves significant judgements and estimation, this is to be considered as a key audit matter.</p>	<p>The work that we performed to address this key audit matter, included the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's process for determining the key actuarial assumptions; • Performed risk assessment on the assumptions (economic and non-economic) and assessed the management's approach to deriving these assumptions; • Reviewed the method used by management in deriving the key assumptions by benchmarking to other market data; • On sample basis, performed claims testing on incurred claims to supporting documents such as reports from loss adjusters and confirmations obtained from lawyers; • We engaged our EY actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the actuarial balances; • Evaluated the skills, qualifications, and competence of the Group's appointed actuary; • Assessed the management's determination of the split of expenses between qualifying and non-qualifying expenses by considering the nature of the expenses; • Reviewed management's analysis of changes in the reserves and tested the rationale given for key changes year on year; • Obtained an understanding of management's approach to determining the risk adjustment and evaluated that the approach used and derived risk adjustment are in line with the IFRS requirement; • Tested the application of the risk adjustment in management's models. • On a sample basis, developed a point estimate or range based on our understanding of the Group's business, and evaluated the differences between management's point estimate and our point estimate or range. • We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS.



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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
<p>Valuation of goodwill</p> <p>As at 31 December 2025, the carrying value of goodwill amounted to AED 65,633 thousand which has arisen from historic acquisitions made by the Group. During the year, the Group has recorded no impairment on the same (note 6).</p> <p>Goodwill is allocated to cash generating units (‘CGUs’) for the purpose of impairment testing. Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary.</p> <p>The determination of the recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgments arise from the selection of market-based metrics, such as comparable company multiples, market prices, and industry benchmarks, used in the market approach valuation models.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • Obtained from management the goodwill valuation and the external consultant's report based on the market approach. • Evaluated the key assumptions used in the market approach for goodwill impairment testing, specifically focusing on comparable company multiples, recent market transactions, and fair value estimates. • Assessed the relevance and reliability of the market data and comparable companies used in the valuation by comparing them to external sources and forming our own assessment. • Engaged our internal specialists to assist in reviewing the appropriateness of the market approach methodology, including the selection of comparable companies and the calculation of valuation multiples. • Verified the integrity and mathematical accuracy of the goodwill impairment model under the market approach. • Considered the adequacy of the Group’s disclosures in respect of its goodwill impairment testing based on the market approach. We also considered the adequacy of the Group’s disclosures in respect of its goodwill impairment testing.

Other information

Other information consists of the information included in the Director’s Report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. 32 of 2021, as amended and the UAE Federal Decree Law No. (6) of 2025 and the related Financial Regulations for Insurance Companies, regarding the regulation of Insurance activities, Central Bank of the UAE Board of Directors' Decision No. (26) of 2014 pertinent to the Financial Regulations for Takaful Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, as amended, we report that for the year ended 31 December 2025:

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. 32 of 2021, as amended;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2025, are disclosed in note 11 to the consolidated financial statements;
- vi) note 15 to the consolidated financial statements reflects material related party transactions and balances, and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Law No. 32 of 2021, as amended, or its Articles of Association, which would have a material impact on its activities or its financial position as of 31 December 2025; and
- viii) the Company has no social contributions made during the year.

Further, as required by the UAE Federal Decree Law No. (6) of 2025 and *the related Financial Regulations for Insurance Companies*, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Ernst & Young Middle East (Dubai Branch)

Ashraf Abu Sharkh
Registration No: 690

27 March 2026

Dubai, United Arab Emirates

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	31 December 2025 AED'000	31 December 2024 AED'000
ASSETS			
Property and equipment	5	47,469	46,721
Goodwill and intangibles	6	66,687	67,188
Investment properties	7	53,656	48,840
Right-of-use assets	8	5,915	6,525
Investment in associate	9	39,231	35,885
Statutory deposits	10	314,228	298,841
Investments	11	263,479	222,742
Participants' investments in unit-linked contracts	11	1,780,279	1,919,837
Deposits with takaful and retakaful companies	12	773	748
Retakaful contract assets	13	437,121	470,860
Other assets and receivables	16	33,543	39,996
Bank balances and cash	17	193,761	148,773
TOTAL ASSETS		3,236,142	3,306,956
LIABILITIES AND EQUITY			
Liabilities			
Family takaful reserve		80,986	71,846
Takaful contract liabilities	13	2,478,886	2,595,416
Retakaful contract liabilities	13	101,165	121,544
Other payables and accruals	18	209,075	177,567
Lease liabilities	8	6,006	6,203
Total liabilities		2,876,118	2,972,576
Equity			
Share capital	20	483,021	939,589
Treasury shares	21	-	(35,972)
Statutory reserve	22	401	4,124
Other reserves	23	(164,569)	(179,832)
Accumulated losses		(18,818)	(443,861)
Equity attributable to Owners of the Company		300,035	284,048
Non-controlling interest	24	59,989	50,332
Total equity		360,024	334,380
TOTAL LIABILITIES AND EQUITY		3,236,142	3,306,956

These consolidated financial statements were authorised for issue and approved by the Board of Directors on 24 March 2026 and signed on their behalf by:



 Essa Ali Bin Salem Bin Jassim Alzaabi
 Chairman of the Board of Directors



 Mohamed Ali Bouabane
 Group Chief Executive Officer

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Takaful revenue	26	1,004,990	1,046,378
Takaful service expenses	27	(917,834)	(979,723)
Net expenses from retakaful contracts held		(86,786)	(41,038)
TAKAFUL SERVICE RESULT		370	25,617
Policyholders' investment income	25	144,277	106,489
Shareholders' investment income	25	51,301	52,695
NET INVESTMENT RESULT		195,578	159,184
Takaful finance expense for takaful contracts issued	28	(163,744)	(117,891)
Retakaful finance income for retakaful contracts held	28	12,845	1,317
NET TAKAFUL FINANCE EXPENSE		(150,899)	(116,574)
NET TAKAFUL AND INVESTMENT RESULT		45,049	68,227
Other operating income		11,732	26,640
Other operating expenses	37	(68,762)	(52,070)
Reversal of / (provision for) expected credit losses	36	28,761	(6,180)
PROFIT BEFORE TAX		16,780	36,617
Income tax expense	29	(5,583)	(12,028)
NET PROFIT AFTER TAX		11,197	24,589
Attributable to:			
Shareholders		4,014	13,091
Non-controlling interests		7,183	11,498
		11,197	24,589
Basic and diluted earnings per share (AED)	30	0.005	0.014

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 AED'000	2024 AED'000
Net profit after tax		11,197	24,589
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Net change in foreign exchange translation reserve	23.2	15,850	(43,723)
Share of other comprehensive income/ (loss) of associate	9	1,880	(63)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Net changes in fair value of investments at FVOCI		(1,164)	(2,811)
TOTAL OTHER COMPREHENSIVE INCOME/ (LOSS)		16,566	(46,597)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		27,763	(22,008)
Attributable to:			
Shareholders		17,663	(14,083)
Non-controlling interest		10,100	(7,925)
		27,763	(22,008)

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury shares AED'000	Accumulated losses AED'000	Regulatory reserve AED'000	Total AED'000	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2025	939,589	4,124	34,118	(188,067)	(33,271)	(35,972)	(443,861)	7,388	284,048	50,332	334,380
Profit for the year	-	-	-	-	-	-	4,014	-	4,014	7,183	11,197
<i>Other comprehensive loss</i>											
Net movement in foreign exchange translation reserve	-	-	-	12,942	-	-	-	-	12,942	2,908	15,850
Net changes in fair value of investments	-	-	-	-	(1,173)	-	-	-	(1,173)	9	(1,164)
Share of other comprehensive income of associate (note 9)	-	-	-	-	1,880	-	-	-	1,880	-	1,880
Total other comprehensive income	-	-	-	12,942	707	-	-	-	13,649	2,917	16,566
Total comprehensive income for the year	-	-	-	12,942	707	-	4,014	-	17,663	10,100	27,763
<i>Other equity movements</i>											
Capital Reduction (Note 1)	(456,568)	(4,124)	-	-	-	35,972	424,720	-	-	-	-
Board Remuneration (Note 15)	-	-	-	-	-	-	(1,676)	-	(1,676)	-	(1,676)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	-	(443)	(443)
Transfer to statutory reserve	-	401	-	-	-	-	(401)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	(1,614)	1,614	-	-	-
Balance at 31 December 2025	483,021	401	34,118	(175,125)	(32,564)	-	(18,818)	9,002	300,035	59,989	360,024

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2025

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury shares AED'000	Accumulated losses AED'000	Regulatory reserve AED'000	Total AED'000	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2024	939,589	2,815	34,118	(163,767)	(30,397)	(35,972)	(452,391)	5,513	299,508	69,235	368,743
Profit for the year	-	-	-	-	-	-	13,091	-	13,091	11,498	24,589
<i>Other comprehensive loss</i>											
Net movement in foreign exchange translation reserve	-	-	-	(24,300)	-	-	-	-	(24,300)	(19,423)	(43,723)
Net changes in fair value of investments	-	-	-	-	(2,811)	-	-	-	(2,811)	-	(2,811)
Share of other comprehensive loss of associate (note 9)	-	-	-	-	(63)	-	-	-	(63)	-	(63)
Total other comprehensive loss	-	-	-	(24,300)	(2,874)	-	-	-	(27,174)	(19,423)	(46,597)
Total comprehensive loss for the year	-	-	-	(24,300)	(2,874)	-	13,091	-	(14,083)	(7,925)	(22,008)
<i>Other equity movements</i>											
Capital increase	-	-	-	-	-	-	-	-	-	300	300
Board Remuneration (note 15)	-	-	-	-	-	-	(1,377)	-	(1,377)	-	(1,377)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	-	(11,278)	(11,278)
Transfer to statutory reserve	-	1,309	-	-	-	-	(1,309)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	(1,875)	1,875	-	-	-
Balance at 31 December 2024	939,589	4,124	34,118	(188,067)	(33,271)	(35,972)	(443,861)	7,388	284,048	50,332	334,380

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		16,780	36,617
Adjustments for:			
Depreciation on property and equipment	5	3,215	3,072
Depreciation on right of use assets	8	1,840	2,278
Amortisation of intangible assets	6	704	1,626
Finance Cost	8.2	305	231
Share of profit from associate	9	(3,159)	(2,135)
Unrealised (gain)/ loss on investment	25	(866)	19
Unrealised gain on investment properties	25	(2,925)	(4,502)
(Reversal of)/ charge for expected credit losses		(28,761)	6,180
Impairment on takaful receivables		3,551	-
Operating cash flows before changes in operating assets and liabilities		(9,316)	43,386
Decrease in deposits with takaful and retakaful companies	12	(25)	226
Changes in takaful contract assets	13	-	6,801
Change in retakaful contract assets	13	33,739	(122,398)
Changes in takaful contract liabilities	13	(116,530)	51,988
Change in retakaful contract liabilities	13	(20,379)	(40,506)
Change in other assets and receivables	16	6,453	40,398
Change in family reserves		9,140	(5,314)
Change in other payables		30,562	(8,250)
Income tax paid	29	(7,323)	-
Net foreign exchange difference		15,850	(43,723)
Net cash used in operating activities		(57,829)	(77,392)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment - net	5	(1,817)	(3,362)
Purchase of intangible assets - net	6	(197)	(1,025)
Purchase of investment property - net	7	-	(21)
Net movement in statutory deposits	10	(15,387)	(15,315)
Repayment of principal and profit on lease liability	8	(1,487)	(2,702)
Dividend income from associate	9	1,693	1,539
Change in Investments - net		(17,427)	14,181
Net movement in Participants' investments in unit-linked contracts	11	139,558	101,046
Change in term deposits under lien	17	(17,503)	6,056
Cash generated from investing activities		87,433	100,397
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		(443)	(10,978)
Board of Director's remuneration	40	(1,676)	(1,377)
Cash used in financing activities		(2,119)	(12,355)
NET INCREASE IN CASH AND CASH EQUIVALENTS		27,485	10,650
Cash and cash equivalents at 1 January		135,730	125,080
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 17)		163,215	135,730

The attached notes 1 to 44 form part of these consolidated financial statements.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Islamic Arab Insurance Co. (Salama) PJSC (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari’ah principles and in accordance with the relevant Articles of the Company.

On 16 September 2025, Federal Decree-Law No. (6) of 2025 regarding the Central Bank, the Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect. This new law repealed Federal Decree-Law No. 48 of 2023 concerning the Financial Regulations of Insurance Companies issued by the Central Bank of the United Arab Emirates. The Companies must within a period not exceeding twelve months from the date of the enforcement of its provisions from 16 September 2025 comply with the provisions of the UAE Federal Decree Law No (6) of 2025.

The Company and its subsidiaries are referred to as “the Group”. Tariic Holding B.S.C (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in takaful and retakaful under Islamic Shari’ah principles:

Subsidiaries	Principal activities	Group’s ownership		Country of Incorporation
		2025	2024	
<i>Directly owned</i>				
Tariic Holding Company B.S.C	No operations, holding company	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	Family Takaful	85.19%	85.19%	Egypt
Salama Immobilier	No takaful operations	84.25%	84.25%	Senegal
Salama Takaful Insurance – Egypt (formerly “Egyptian Saudi Insurance House”)	General Takaful	51.15%	51.15%	Egypt
<i>Through Tariic</i>				
Salama Assurances Algeria	General Takaful	96.98%	96.98%	Algeria

The shareholders have approved a reduction in the share capital at the General Assembly Meeting held on 16 October 2025. The capital reduction was undertaken to offset accumulated losses and cancel treasury shares. The total capital reduction amounted to AED 456,568 thousand (Note 20), which was implemented through the following actions:

- Extinguishment of accumulated losses amounting to AED 443,861 thousand through:
 - Cancellation of 439,737,326 ordinary shares of AED 1 each; and
 - Utilization of AED 4,124 thousand from the statutory reserve to offset the remaining portion of accumulated losses (Note 22).
- Cancellation of treasury shares amounting to 16,830,489 shares of AED 1 each (Note 21).

Following the completion of all regulatory and procedural requirements, the capital reduction was subsequently activated on the Dubai Financial Market on 9 January 2026.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

New and revised IFRS Accounting Standards adopted in the financial statement

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new and revised IFRS effective in the year did not have any significant impact.

Lack of exchangeability – Amendments to IAS 21 1 January 2025

New and revised IFRS Accounting Standards in issue but not yet effective and not early adopted

New and revised IFRS Accounting Standards *Effective for annual periods beginning on or after*

Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and comply with applicable requirements of UAE Federal Decree Law No. (32) of 2021, as amended, relating to commercial companies and the UAE Federal Decree-Law No (6) of 2025, regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business and the Insurance Authority Board of Directors’ Decision No. (26) of 2014 pertinent to the Financial Regulations for Takaful Companies.

Basis of measurement

The consolidated financial information has been prepared on the historical cost basis except for the following which are measured at fair value:

- i) Financial assets at fair value through other comprehensive income (“FVOCI”);
- ii) Financial assets at fair value through profit or loss (“FVTPL”);
- iii) Investment properties at fair value through profit or loss; and
- iv) Owned property and buildings at fair value through revaluation model.

Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the Company. Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. Details of the Group's subsidiaries at 31 December 2025 are mentioned in Note 1.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

a) Business combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

b) Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

b) Investments in associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

c) Family takaful reserves

The risk reserves are determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income.

d) Profit from deposits

Profit from deposits is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

e) Dividend income

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

f) Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

g) Rental income

Rental income is recognized in the consolidated financial statements on an accrual basis in accordance with IFRS 16: Leases. It is recognized as income on a straight-line basis over the lease term.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

h) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The tax currently payable is calculated in accordance with fiscal regulations of Algeria and Egypt.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

i) Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

i) Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

j) Employee benefits

Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period. The provision relating to end of service indemnity is a non-current liability.

k) Property and equipment

Land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and any identified impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in other comprehensive income to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Other property and equipment are carried at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The estimated useful lives of these assets (except for land) are 4 – 10 years.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

m) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer Software

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 3 - 5 years.

n) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 asset 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 Group 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 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment 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.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p) Policyholders' fund

Any deficit in the policyholders' fund is financed by the shareholders through Qard-e-Hasan as per their undertaking. The Group maintains a full provision against such balances (note 19).

q) Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect profit on the lease liability (using effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

q) Leases (continued)

The Group as lessee (continued)

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use of assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the consolidated statement of comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

r) Financial Instruments

Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

r) Financial Instruments (continued)

Investments and other financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. Profit income from these financial assets is calculated using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income' in the consolidated statement of profit or loss.
- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Profit income from these financial assets is calculated using the effective profit rate method. Foreign exchange gains and losses are presented in 'Net investment income'.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the consolidated statement of profit or loss and is presented net within 'Net investment income' in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'Net investment income' when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL except for unit linked investments are recognised in 'change in fair value of financial investments at FVTPL' included within 'Net investment income'. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

For other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the historical credit losses experienced. Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The impairment charge for debt investments at FVTOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

Other receivables

Other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective profit method, less impairment provision. The Group holds the other receivables with the objective to collect the contractual cash flows.

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As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

r) Financial Instruments (continued)

Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVTPL.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, profit bearing loans and borrowings are subsequently measured at amortised cost using the effective profit method.

Financial liabilities included in takaful and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Deposits with banks with original maturities of more than three months

Deposits held with banks with original maturities of more than three months are initially measured at fair value and subsequently measured at amortised cost. Deposits held with banks are within the scope of IFRS 9 expected credit loss calculation for the assessment of impairment.

Investment contract Liabilities

Investment contract liabilities are recognized when contracts are entered into, and contributions are charged. These liabilities are initially recognized at fair value, being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the investment contract liabilities recorded in the Statement of Financial Position and are not recognised in the Statement of Comprehensive Income. Fair value adjustments are performed at each reporting date and are recognised in the Statement of Comprehensive Income in "Net investment result".

Unit-linked investment contracts

These represent portfolios maintained to meet the specific investment objectives of contract holders who bear the credit, profit rate, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in the profit and loss. Related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The costs of policy administration, asset management, surrender charges and certain contract holders' taxes assessed against the contract holders' account balances are recovered as policy fees and are recognised in the Statement of Comprehensive Income.

s) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts

A takaful contract is a contract under which one party (the issuer) accepts significant takaful 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.

The Group issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Group determines whether it has significant takaful risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. takaful contracts can also transfer financial risk. The Group issues life and non-life takaful to individuals and businesses.

In the normal course of business, the Group uses retakaful to mitigate its risk exposures. A retakaful contract transfers significant risk if it transfers substantially all of the takaful risk resulting from the insured portion of the underlying takaful contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to takaful contracts in the consolidated financial statements apply to takaful contracts issued or acquired and retakaful contracts held unless specifically stated otherwise.

Changes to classification and measurement

IFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of takaful contracts issued and retakaful contracts held by the Group. The Group uses different measurement approaches, depending on the type of contracts, as follows:

<i>Nature of Contracts</i>	<i>Product classification</i>	<i>Measurement model</i>
<i>Unit Linked</i>	<i>Takaful contracts</i>	<i>Variable Fee Approach (“VFA”)</i>
<i>Term Life</i>	<i>Takaful contracts</i>	<i>General Measurement Model (“GMM”)</i>
<i>Group Life – Short Term</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach (“PAA”)</i>
<i>Group Life – Long Term</i>	<i>Takaful contracts</i>	<i>General Measurement Model</i>
<i>Engineering</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Fire</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>General Accident</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Liabilities</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Marine</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Motor</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Health</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>All retakaful contracts held other than long term individual and Group life</i>	<i>Retakaful contracts held</i>	<i>Premium Allocation Approach</i>
<i>Long term individual and Group life retakaful contracts held</i>	<i>Retakaful contracts held</i>	<i>General Measurement Model</i>

The key principles of IFRS 17 under the different measurement models, where applicable, are that the Group:

- Identifies takaful contracts as those under which the Group accepts significant takaful 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.
- Divides the takaful and retakaful contracts into groups it will recognise and measure.
- Recognises profit from a group of takaful contracts over each period the Group provides takaful contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Changes to classification and measurement (continued)

The premium allocation approach (PAA) simplifies the measurement of takaful contracts in comparison with the general measurement model (GMM) in IFRS 17. The measurement principles of the PAA differ from the 'earned contribution approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects contributions received less deferred takaful acquisition cash flows and less amounts recognised in revenue for takaful services provided (takaful revenue for each period is the amount of expected contribution receipts for providing services in the period).
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred takaful expenses.

Measurement of the asset for remaining coverage (reflecting retakaful contributions paid for retakaful held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Under the GMM and the variable fee approach (VFA), the group recognises and measures groups of takaful contracts at:

- i. A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; and
- ii. An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)

The VFA is a mandatory modification of the GMM regarding the treatment of the CSM in order to accommodate direct participating contracts.

The Group capitalises takaful acquisition cash flows for all takaful group of contracts. The Group allocates the acquisition cash flows to groups of takaful contracts issued using a systematic and rational basis. Takaful acquisition cash flows include those that are directly attributable to a group.

Changes to presentation and disclosure

IFRS 17 introduces a new way of presenting income and expenses relating to takaful contracts that moves away from a contribution based presentation approach for the statement of comprehensive income. It also introduces changes in the way takaful contract related account balances are presented in the statement of financial position.

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognized in the financial statements that arise from takaful contracts in the form of roll forward and reconciliation tables. The Group presents the following line items separately in the statement of financial position as required under IFRS 17:

- Portfolios of Takaful contracts that are assets.
- Portfolios of Takaful contracts that are liabilities.
- Portfolios of Retakaful contracts that are assets.
- Portfolios of Retakaful contracts that are liabilities.

The carrying amount of an takaful contract asset / liability is the sum of the liability of remaining coverage and the liability for incurred claims. Retakaful contracts held that are either assets or liabilities, comprise liability for remaining coverage and liability for incurred claims that correspond to the ceded business.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Takaful and retakaful contracts issued classification

The Group issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As the policies written by the Group transfer significant takaful risk, all the policies issued are within the scope of IFRS 17. The Group currently does not write any takaful policies that include embedded derivatives, provide warranties (similar to those provided by a manufacturer, dealer, or retailer) or include non-takaful distinct service components.

Level of Aggregation

While deciding on the portfolio level under IFRS 17, the Group has considered the criteria of “similar risk and managed together” while taking into account the materiality of each product/portfolio. In grouping takaful contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines.

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

Recognition

Groups of takaful contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period.
- the date when the first payment from the policyholder is due or actually received, if there is no due date; or
- when the Group determines that a group of contracts becomes onerous.

Separating components from insurance and reinsurance contracts

The Group assessed its takaful and retakaful contracts to determine whether they contained distinct components which must be accounted for under another reporting standard instead of IFRS 17.

The investment components included in the life takaful contracts are highly interrelated to the takaful component and are thus not distinct. Accordingly, the Group shall not unbundle the cash flows related to the investment component.

In the case of non-life policies / general takaful, roadside assistance is the only service component that is offered along with the motor policies. However, since the road-side assistance cover also ends once the policy expires, it is not distinct. Thus, the Group shall not unbundle the roadside assistance offered along with motor policies.

Contract boundary

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

Cash flows are within the boundary of an takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the contributions, or in which the Group has a substantive obligation to provide the policyholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - i. The Group has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - ii. The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Measurement

The following table sets out the accounting policy choices adopted by the Group:

	Applicable Measurement Model	IFRS 17 options	Adopted approach
Takaful acquisition cash flows	PAA	In applying the premium allocation approach, an entity may choose to recognize any takaful acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.	Group currently amortizes acquisition cash flows for all lines expected to be measured using the PAA. The company will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM.
LRC adjusted for financial risk and time value of money	PAA	The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related contribution due date is no more than a year.	The expected delay between provision of services and receipt of payment is small for contracts eligible to be run under the PAA. Hence, the Company does not expect significant financing component for LRC for these contracts.
LIC adjusted for time value of money	PAA	In applying PAA, an entity may choose to not adjust future cash flows for Liability of Incurred Claims (LIC) for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.	For the majority of takaful contracts (except for medical and short-term Group Life) written by the Group, a significant portion of the claims is settled beyond 12 months from the date of loss. Accordingly, the Group has decided to discount the LIC computed under the PAA approach.
Insurance finance income and expense	All	IFRS 17 provides an accounting policy choice to an entity may decide to include takaful finance income/expense either in the P&L or systematically allocate it between P&L and OCI.	The Group has made an accounting policy choice to account for the insurance finance income or expenses in P&L instead of disaggregating it between P&L and OCI.
Disaggregation of risk adjustment	All	The Company can choose the option not to disaggregate the entire change in the risk adjustment for non-financial risk in the takaful service result. Or it can choose to split the amount between the takaful service result and takaful finance income or expenses.	For short term contracts, the Company has decided not to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks, since, material impact of discounting on risk adjustment is not expected since most of the business is short tailed. For longer term, the company has decided to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Measurement (continued)

The following table sets out the accounting policy choices adopted by the Group:

	Applicable Measurement Model	IFRS 17 options	Adopted approach
Presentation of income / (expense) from retakaful contracts held	All	IFRS 17 allows options in presenting income or expenses from retakaful contracts held, other than takaful finance income or expenses. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the contribution paid (as retakaful expenses) in line items separate from takaful revenue and takaful service expenses.	The Group elected to present the Net expenses from retakaful contracts held as one line-item.

Takaful contracts measured under the premium allocation approach - Initial and Subsequent Measurement

The Group applies the premium allocation approach to all the takaful contracts (other than long term Individual and Group life takaful contracts) that it issues and retakaful contracts that it holds as:

- The coverage period of each contract in the group is one year or less, including takaful contract services arising from all contributions within the contract boundary; or
- For all the portfolios having contracts longer than one year, the Group expects the measurement of the liability for remaining coverage for the group does not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the group has decided to set the acceptable threshold for the comparison of LRC between PAA and GMM using a combination of relative and absolute materiality criteria.

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The contributions, if any, received at initial recognition;
- Minus any takaful acquisition cash flows at that date,
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of takaful contracts is recognised.

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, contribution received in the period.
- Minus takaful acquisition cash flows
- Plus, any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group.
- Plus, any adjustment to the financing component, where applicable
- Minus the amount recognised as takaful revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group and include an explicit adjustment for non-financial risk (the risk adjustment).

When facts and circumstances indicate that a group of contracts has become onerous, the Group performs a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Group recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Takaful contracts measured other than PAA - Initial and Subsequent Measurement

The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts. Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort.

The Group updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Group determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group considers the most recent experience and earlier experience, as well as other information.

The CSM at the end of the reporting period represents the profit in the group of takaful contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of takaful contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group.
- For contracts measured under the GMM, profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM
- The amount recognised as takaful revenue because of the transfer of takaful contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For direct participating contracts measured under the VFA, the Group adjusts the CSM for the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

- A decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in takaful service expenses) and creating a loss component; or
- An increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in takaful service expenses).

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows and takaful contribution taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in profit or loss while differences related to contributions received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage. For contracts measured under the GMM these changes exclude those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Takaful contracts measured other than PAA - Initial and Subsequent Measurement (continued)

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of: (continued)

- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

For direct participating contracts measured under the VFA changes in fulfilment cash flows that relate to future services and adjust the CSM are measured at current discount rates and include the changes in the effect of the time value of money and financial risks that do not arise from underlying items.

Where, during the coverage period, a group of takaful contracts becomes onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Group measures the carrying amount of a group of takaful contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date.

Retakaful contracts held

Retakaful contracts held are accounted for applying IFRS 17 when they meet the definition of an takaful contract. This includes the condition that the contract must transfer significant takaful risk.

Retakaful contracts transfer significant takaful risk only if they transfer to the reinsurer substantially all the takaful risk relating to the reinsured portions of the underlying takaful contracts, even if a retakaful contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Group aggregates retakaful contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

A group of retakaful contracts held is recognised at the earlier of the following:

- If the retakaful contracts provide proportionate coverage, the date the Group initially recognizes any underlying takaful contracts (onerous or not).
- In all other cases, at the beginning of the coverage period of the group of retakaful contracts. However, if the Group recognises an onerous group of underlying takaful contracts on an earlier date and the related retakaful contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer shall end when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The Group measures its retakaful assets for a group of retakaful contracts that it holds on the same basis as takaful contracts that it issues. However, they are adapted to reflect the features of retakaful contracts held that differ from takaful contracts issued. Where the Group recognises a loss on initial recognition of an onerous group of underlying takaful contracts or when further onerous underlying takaful contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful contracts held depicting the recovery of losses.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 Change in Accounting Policies (continued)

IFRS 17 Takaful Contracts (continued)

Modification and derecognition

The Group derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Allocation of Expenses

Group has prepared an expense allocation model, on the basis of which, operating expenses have been classified into the following categories:

- *Fully attributable expenses*
These are expenses which are directly related to fulfilling a takaful obligation. Expenses such as commission paid to the broker against a takaful contract, are considered fully attributable expenses.
- *Partially attributable expenses*
These are expenses which are partially related to fulfilling a takaful obligation. Of the total expense, the attributable portion will be allocated to the group of contracts, and the non-attributable portion will be booked as other operating expense.
- *Non attributable expenses*
Overhead expenses that would be incurred by any business organization, regardless of whether these expenses are utilized for fulfilment of takaful obligations would be expensed as part of 'other operating expenses' (i.e. out of scope of IFRS 17) – being considered predominantly corporate in nature, or any other expenses that cannot be allocated to group of contracts.

After the expenses were classified into attributable, partially attributable and non-attributable expenses, they are further classified into the following classes.

- Acquisition cost
- Claims related expenses
- Maintenance expenses

Discount rates

The Group adjusts the carrying amount of the takaful contracts liabilities and retakaful contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts.

Considering the investment portfolio and the takaful contracts written by the Group, the entity has decided to proceed with the bottom-up approach to compute the discount rates. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity contribution'). The Group has determined illiquidity contribution using Replicating Portfolio technique.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The portfolios for which the company has adopted PAA simplification for the calculation of liability for remaining coverage, risk adjustment for LRC would only be estimated in case group of contracts recognized as onerous. For portfolios measured under general measurement model or the variable fee approach, risk adjustment would be required for the calculation of both LRC and LIC.

The Group reviewed a range of possible methodologies to estimate the RA for LRC and LIC. For RA LIC, under non-life and group life-lines of business, the Group has decided to use the Mack approach. For long-term life contracts, the company will use the Provision for Adverse Deviation approach or the e-forms approach for LRC RA. For LIC RA, the Group will use the same risk adjustment % as calculated for LRC. The Group has decided to use a 65th percentile for all lines of business.

Contractual service margin (CSM)

The CSM is a component of the asset or liability for the group of takaful contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of takaful contracts is recognised in profit or loss as takaful revenue in each period to reflect the takaful contract services provided under the group of takaful contracts in that period. The amount is determined by:

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the takaful contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.

The number of coverage units in a group is the quantity of takaful contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. The coverage unit for both groups, unit linked life takaful contracts and other long term life groups of contracts, is net amount of risk. The total coverage units of each group of takaful contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For retakaful contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The coverage unit is net amount of risk ceded. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Onerosity determination

IFRS 17 does not provide any specific guidance about which facts and circumstances should be considered, to indicate that a group of contracts is onerous on initial recognition or subsequently. The Group assesses the Onerosity considering the factors such as:

- a) the expected ratio of claims to contributions (or any other measurement of expected profitability) compared with the actual ratio over the coverage period.
- b) economic or regulatory changes that can cause significant revisions in the expected cash flows; or
- c) significant changes to the costs involved in fulfilling contracts: e.g., as a result of internal reorganizations or changes to the prices of services or products used to fulfil its takaful obligations.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 IFRS 17 Takaful Contracts (continued)

Contractual service margin (CSM) (continued)

Discounting

For cash flows that do not vary based on the returns on underlying items, an entity may determine the discount rate based on a liquid risk-free yield curve. This is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the takaful contract. The Group has elected to use the Bottom-up approach in determining the discount rates based on liquid risk-free yield curve.

Time value of money

The Group adjusts the carrying amount of the takaful contracts liabilities and reinsurance contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cashflows of the group of contracts.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity contribution'). The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free yield curve. The top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

Liability for Incurred Claims

The Group will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER.
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- Adjustment for the time value of money.
- Risk adjustment for non-financial risks.

4.2 Critical Accounting Judgements and Key Sources Of Estimation Uncertainty

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2024. Key judgments and estimates applied are as below.

Assessment of significance of takaful risk

The Group applies its judgement in assessing whether a contract transfers to the issuer significant takaful risk. A contract transfers significant takaful risk only if an insured event could cause the Group to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

CSM release pattern

The group applied significant judgements in the following aspects to the determination of CSM amounts that were recognized in profit or loss for GMM and VFA products.

The coverage units are based on the fixed death benefits in-force amounts (during the takaful coverage period) to the period in which takaful or investment management services are expected to be provided. In performing the above determination, management applied judgement that might significantly impact the CSM carrying values and amounts of the CSM allocation recognized in profit or loss for the period.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (continued)

Onerosity determination

IFRS 17 does not provide any specific guidance about which facts and circumstances should be considered, to indicate that a group of contracts is onerous on initial recognition or subsequently. The Group assesses the Onerosity considering the factors such as:

- a) the expected ratio of claims to contributions (or any other measurement of expected profitability) compared with the actual ratio over the coverage period.
- b) economic or regulatory changes that can cause significant revisions in the expected cash flows; or
- c) significant changes to the costs involved in fulfilling contracts: e.g., as a result of internal reorganizations or changes to the prices of services or products used to fulfil its takaful obligations.

Discounting

For cash flows that do not vary based on the returns on underlying items, an entity may determine the discount rate based on a liquid risk-free yield curve. This is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the takaful contract. The Group has elected to use the Bottom-up approach in determining the discount rates based on liquid risk-free yield curve.

Time value of money

The Group adjusts the carrying amount of the takaful contracts liabilities and retakaful contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity risk contribution'). The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free yield curve. The approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield to compute illiquidity risk contribution which then along with risk free yield is used to calculate point in time curve.

Liability for Incurred Claims

The Group will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER;
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date;
- Adjustment for the time value of money; and
- Risk adjustment for non-financial risks.

Measurement of the expected credit loss ("ECL") allowance

The measurement of the expected credit loss allowance for debt financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (continued)

Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension, automatic renewal options are only included in the lease term if the lease is reasonably certain to be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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.

Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. The Group employs a rigorous screening process to identify comparable companies within the Middle East and North Africa (MENA) region that demonstrate liquidity and align with key financial metrics relevant to the Investments. This includes factors such as gross written contribution (GWC) size, net profit margins, and return on equity.

To establish an equity value range for the Investments, the Group applies the average traded price-to-book (P/B) multiples of these comparable companies. The P/B multiple is a widely recognized valuation metric within the takaful and financial services sectors, as it effectively captures a company's capacity to leverage its balance sheet particularly its investments, typically recorded at fair value—to generate returns on capital.

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease. Group discounted lease payments using the incremental borrowing rate of 4.5% per annum.

Revaluation of land and building

IAS 16 – Land and building require revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Management has estimated a period of 3 years as sufficient regularity for revaluation of land and building.

Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

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5. PROPERTY AND EQUIPMENT

	<i>Land</i> <i>AED'000</i>	<i>Building</i> <i>AED'000</i>	<i>Furniture and fixtures</i> <i>AED'000</i>	<i>Computer</i> <i>AED'000</i>	<i>Vehicles</i> <i>AED'000</i>	<i>Capital work in progress</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>Cost or valuation</i>							
At 1 January 2024	10,813	32,275	13,911	8,809	2,196	443	68,447
Additions during the year	-	115	1,144	1,848	110	593	3,810
Foreign exchange translation	(75)	(539)	(939)	(724)	(143)	-	(2,420)
Disposals / transfer	-	198	(27)	(25)	-	(594)	(448)
At 31 December 2024	10,738	32,049	14,089	9,908	2,163	442	69,389
Additions during the year	-	-	407	179	12	1,242	1,840
Foreign exchange translation	501	1,537	560	318	75	(107)	2,884
Disposals / transfer	-	-	(23)	-	-	-	(23)
At 31 December 2025	11,239	33,586	15,033	10,405	2,250	1,577	74,090
<i>Accumulated depreciation</i>							
At 1 January 2024	-	-	11,558	7,524	1,998	-	21,080
Charge for the year	-	1,558	674	763	77	-	3,072
Foreign exchange translation	-	(5)	(690)	(663)	(74)	-	(1,432)
Disposals / transfer	-	-	(27)	(25)	-	-	(52)
At 31 December 2024	-	1,553	11,515	7,599	2,001	-	22,668
Charge for the year	-	1,647	704	805	59	-	3,216
Foreign exchange translation	-	103	361	231	66	-	761
Disposals / transfer	-	-	(23)	-	-	-	(23)
At 31 December 2025	-	3,303	12,557	8,635	2,126	-	26,622
<i>Carrying amount</i>							
At 31 December 2025	11,239	30,283	2,476	1,770	124	1,577	47,469
At 31 December 2024	10,738	30,496	2,574	2,309	162	442	46,721

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5. PROPERTY AND EQUIPMENT (continued)

Revaluation of the Group's land and building

The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Group's land and buildings were last revalued as of 31 December 2023 by an independent valuer not related to the Group. The valuer has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards.

The fair value of land and building was determined based on depreciated replacement cost method of valuation for the existing structures and the comparable method of valuation for the underlying land. The revalued land and buildings are classified under Level 3 of fair value hierarchy as the valuation technique include significant unobservable inputs used in the fair value estimation.

6 GOODWILL AND INTANGIBLES

	<i>Goodwill</i> <i>AED'000</i>	<i>Computer software</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Cost			
At 1 January 2024	114,640	15,090	129,730
Additions	-	803	803
Effect of movements in exchange rates	-	(115)	(115)
At 31 December 2024	114,640	15,778	130,418
At 1 January 2025	114,640	15,778	130,418
Additions	-	197	197
Effect of movements in exchange rates	-	30	30
At 31 December 2025	114,640	16,005	130,645
Accumulated amortization and impairment losses			
At 1 January 2024	49,007	12,707	61,714
Charge for the year	-	1,626	1,626
Effect of movements in exchange rates	-	(110)	(110)
At 31 December 2024	49,007	14,223	63,230
At 1 January 2025	49,007	14,223	63,230
Charge for the year	-	704	704
Effect of movements in exchange rates	-	24	24
At 31 December 2025	49,007	14,951	63,958
Net book value			
At 31 December 2025	65,633	1,054	66,687
At 31 December 2024	65,633	1,555	67,188

Computer software licences acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring into their internal use. The Group has performed the annual impairment test on goodwill in December 2025 and 2024. For impairment testing goodwill acquired through business combinations are allocated to the following subsidiaries which are considered as CGUs.

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6 GOODWILL AND INTANGIBLES (continued)

	<i>Salam Takaful Insurance- Egypt</i>		<i>Salama Assurances Algeria</i>		<i>Total</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Goodwill	7,420	7,420	58,213	58,213	65,633	65,633

This impairment is Nil for year ended 31 December 2025 (2024: AED Nil). For impairment testing, recoverable amount was based on fair value less cost of disposal, i.e. market approach which has been utilized to value the Company's equity stake in the Investments.

The Group conducted a screening process and identified 39 comparable companies in the Middle East and North Africa region that are liquid and exhibit similar financial metrics, such as gross written contribution (GWC) size, net profit margins, and return on equity, as the Investments. To determine the equity value range for the Investments, the Group utilized the average traded price-to-book (P/B) multiples of these comparable companies. This multiple is commonly employed to value firms in the insurance and broader financial services sectors, as it reflects a company's ability to utilize its balance sheet—specifically its investments, usually recorded at fair value—to generate returns on capital.

7. INVESTMENT PROPERTIES

Investment property portfolio of the Group represents land and building acquired by the Group directly and through its controlled subsidiaries.

Geographical representation of investment properties are as follows:

	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>
Within U.A.E.	14,000	14,000
Outside U.A.E.	39,656	34,840
At 31 December	53,656	48,840

The fair value of plots of land was determined based on the acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2025 (2024: Level 3). The rental income of properties amounts to AED 543 thousand in 2025 (2024: AED 786 thousand), there is no direct related expenses in respect of investment property. The Group investment property portfolio is being managed and maintained by a third-party administrator, and the rental income received from these properties are being set off with the administrative fees. The Group has fully provided impairment for an investment property amounting to AED 84.957 million which is under dispute due to ongoing litigation (refer to Note 31).

	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>
Movement in investment properties		
Balance at 1 January	48,840	60,419
Addition	-	21
Unrealized gain on investment properties (note 25)	2,925	4,502
Disposal	-	(11,006)
Currency translation differences	1,891	(5,096)
	53,656	48,840

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8. LEASES

8.1 Right-of-use assets

	2025 AED'000	2024 AED'000
Balance as at 1st January	6,525	4,595
Additions	987	4,433
Depreciation charge for the year	(1,840)	(2,278)
Foreign exchange differences	243	(225)
Balance at 31 December	5,915	6,525

The average term of Group lease is ranging from 3 to 5 years.

8.2 Lease liabilities

	2025 AED'000	2024 AED'000
Balance as of 1 January	6,203	4,695
Finance cost	305	231
Additions	987	4,433
Payment during the year	(1,487)	(2,702)
Foreign exchange differences	(2)	(454)
	<u>6,006</u>	<u>6,203</u>

The Group have taken 4.5% (2024: 4.5%) as incremental borrowing rate. The maturity analysis of lease liabilities are as follows:

	2025 AED'000	2024 AED'000
Less than one year	2,119	2,189
Between one and five years	3,887	4,014
	<u>6,006</u>	<u>6,203</u>
Amount recognised in consolidated statement of profit or loss		
Depreciation	1,840	2,278
Finance cost on lease liabilities	305	231
Amount recognised in consolidated statement of cashflows		
Payment of lease liabilities	1,487	2,702

9. INVESTMENT IN ASSOCIATE

The principal associate of the Group which have 31 December as its year end is as follows:

Associate	Ownership		Country of incorporation	2025 AED'000	2024 AED'000
	2025	2024			
The Islamic Insurance Co. Jordan	20%	20%	Jordan	39,231	35,885

The associate company engages in several Takaful activities that complies with Islamic regulation including, motor, marine transportation risk, fire insurance, comprehensive householder insurance, engineering and contactor's plant and equipment insurance with accordance with Sharia' Islamic principles and Central Bank of Jordan regulations.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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9. INVESTMENT IN ASSOCIATE (continued)

	2025 AED'000	2024 AED'000
Movement during the year		
Balance at 1 January	35,885	35,352
Share of profit from associates (note 25)	3,159	2,135
Dividend received	(1,693)	(1,539)
Share of other comprehensive income/ (loss)	1,880	(63)
	<u>39,231</u>	<u>35,885</u>

Summarised financial information of the Group's Associate is set out below:

	2025 AED'000	2024 AED'000
Total assets	318,530	269,921
Total liabilities	(171,144)	(148,366)
Net assets	<u>147,386</u>	<u>121,555</u>
Revenue	<u>218,584</u>	<u>193,423</u>
Profit	<u>15,793</u>	<u>10,675</u>

10. STATUTORY DEPOSITS

	2025 AED'000	2024 AED'000
Islamic Arab Insurance Co. (Salama) PJSC		
- Bank deposit maintained in accordance with the Federal Decree-Law No. (6) of 2025	10,000	10,000
- Margin deposit against a bank guarantee issued in favor of Central Bank of UAE*	60,000	60,000
<i>Subsidiaries</i>		
Egyptian Saudi Insurance House	79,052	71,323
Salama Assurances Algeria	143,920	138,216
Misr Emirates Takaful Life Insurance Co.	21,256	19,302
	<u>314,228</u>	<u>298,841</u>

In accordance with the requirements of Federal Decree-Law No. (6) of 2025, the Group maintains a bank deposit of AED 10,000 thousand which cannot be utilised without the consent of the UAE Central Bank. The statutory deposit is held with a commercial bank in the UAE.

*The Group's bank has issued bank guarantees of AED 210,000 thousand (2024: AED 210,000 thousand) in favor of Central Bank of UAE to improve the solvency position and AED 60,000 thousand was deposited as margin deposit against these guarantees. Subsidiaries hold the investments and deposits, which are depending on the nature of takaful activities of takaful companies.

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11. INVESTMENTS

	31 December 2025			31 December 2024		
	<i>Domestic investment AED'000</i>	<i>International investment AED'000</i>	<i>Total AED'000</i>	<i>Domestic investment AED'000</i>	<i>International investment AED'000</i>	<i>Total AED'000</i>
(a) Financial assets at fair value through profit or loss						
Shares and securities	366	5,346	5,712	-	723	723
(b) Fair Value through Other comprehensive Income						
Mutual fund and externally managed portfolios	4,969	69,558	74,527	4,640	75,659	80,299
Shares and securities	-	1,294	1,294	-	959	959
Less: allowance for expected credit losses	(1,066)	(58,245)	(59,311)	(1,066)	(58,245)	(59,311)
	3,903	12,607	16,510	3,574	18,373	21,947
(c) At amortized cost						
Sukuk and Government bonds	5,657	78,996	84,653	8,594	75,097	83,691
Wakalah certificates	27,219	-	27,219	54,094	-	54,094
Other Mudariba investments	-	65,738	65,738	-	65,738	65,738
Islamic placements	-	209,950	209,950	-	171,613	171,613
Less: allowance for expected credit losses	(25,985)	(120,318)	(146,303)	(54,609)	(120,455)	(175,064)
	6,891	234,366	241,257	8,079	191,993	200,072
	11,160	252,319	263,479	11,653	211,089	222,742
Quoted	366	5,346	5,712	-	723	723
Unquoted	10,794	246,973	257,767	11,653	210,366	222,019
	11,160	252,319	263,479	11,653	211,089	222,742

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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11. INVESTMENTS (continued)

Islamic Placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2024: 0.22% to 5%) and maturing in more than three months from date of acquisition.

The following investments are subject to an ongoing legal case as described in note 31 and management fully provided for these assets in prior years.

- Investment at fair value through other comprehensive income of AED 58,244 thousand (2024: AED 58,244 thousand); and
- Investments held at amortised cost of AED 111,627 thousand (2024: AED 111,627 thousand).

11.1 Participants' investments in unit-linked contracts

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Financial asset at fair value through profit or loss	1,780,279	1,919,837

Movement during the year is as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Balance at 1 January	1,919,837	2,020,883
Movement due to subscription/ (surrenders), net	(283,782)	(207,455)
Fair value movement during the year	144,224	106,409
	1,780,279	1,919,837

12. DEPOSITS WITH TAKAFUL AND RETAKAFUL COMPANIES

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Claim deposits	773	748

As per the relevant local regulations, the ceding Group retains a portion of unearned contributions and outstanding claims after net payments to the insurer.

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES

Reconciliation of the Takaful liability of remaining coverage (LRC) & liability for incurred claims for takaful contracts (LIC) as on 31 December 2025

Amount in AED'000	<i>Liability for remaining coverage</i>		<i>Liability for incurred claims (PAA)</i>			
	<i>Excluding loss component</i>	<i>Loss component</i>	<i>LIC for contracts not under PAA</i>	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	<i>Total</i>
Takaful contracts that are liabilities at beginning of year	(1,947,336)	(28,850)	(121,634)	(477,554)	(20,042)	(2,595,416)
Takaful contracts that are assets at beginning of year	-	-	-	-	-	-
Takaful contracts liabilities at beginning of year	(1,947,336)	(28,850)	(121,634)	(477,554)	(20,042)	(2,595,416)
Takaful revenue	1,004,990	-	-	-	-	1,004,990
Incurred claims and other directly attributable expenses	-	(5,642)	(43,995)	(539,964)	(7,422)	(597,023)
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	(88,380)	9,229	(79,151)
Losses on onerous contracts and reversals of those losses	-	(5,934)	-	-	-	(5,934)
takaful acquisition cash flows amortisations	(235,726)	-	-	-	-	(235,726)
Takaful service expenses	(235,726)	(11,576)	(43,995)	(628,344)	1,807	(917,834)
Takaful service result	769,264	(11,576)	(43,995)	(628,344)	1,807	87,156
Finance expense from takaful contracts issued recognized	(146,461)	(299)	(892)	(15,383)	(709)	(163,744)
Forex adjustment to comprehensive income	728	-	-	(8,747)	(275)	(8,294)
Total amounts recognised in profit & loss and other comprehensive income	623,531	(11,875)	(44,887)	(652,474)	823	(84,882)
Investment component	514,266	-	(514,266)	-	-	-
Contribution received	(1,250,798)	-	-	-	-	(1,250,798)
Claims and other directly attributable expenses paid	-	-	562,162	636,333	-	1,198,495
Takaful acquisition cash flows	253,715	-	-	-	-	253,715
Total cash flows	(997,083)	-	562,162	636,333	-	201,412
Takaful contracts liabilities at end of year	(1,806,622)	(40,725)	(118,625)	(493,695)	(19,219)	(2,478,886)
Takaful contracts that are liabilities at end of year	(1,806,622)	(40,725)	(118,625)	(493,695)	(19,219)	(2,478,886)
Takaful contracts that are assets at end of year	-	-	-	-	-	-
Takaful contract net position at end of year	(1,806,622)	(40,725)	(118,625)	(493,695)	(19,219)	(2,478,886)

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the retakaful asset for remaining coverage (ARC) & asset for incurred claims for takaful contracts (AIC) as on 31 December 2025

Amount in AED'000	Remaining Coverage		LIC for contracts not under under PAA	Incurred claims		Total
	Excluding loss component	Loss recovery component		Present value of future cash flows	Risk adjustment for non- financial risk	
Retakaful contracts held that are liabilities at beginning of year	(121,544)	-	-	-	-	(121,544)
Retakaful contracts held that are assets at beginning of year	28,596	3,177	60,648	364,354	14,085	470,860
Retakaful contract net position at beginning of year	(92,948)	3,177	60,648	364,354	14,085	349,316
Retakaful expenses	(325,762)	-	-	-	-	(325,762)
Amortisation of Takaful acquisition cash flows-						
Incurring claims recovery	-	-	36,929	183,106	3,083	223,118
Changes that relate to past service-changes in the FCF relating to incurred claims recovery-	-	-	-	26,384	(6,426)	19,958
Income on initial recognition of onerous underlying contracts	-	562	-	-	-	562
Reversal of a loss-recovery component other than changes in the FCF of retakaful contracts held	-	(3,177)	-	-	-	(3,177)
Effect of changes in risk of reinsurers' non-performance	-	-	(313)	(1,172)	-	(1,485)
Net income/ (expenses) from retakaful contracts held	(325,762)	(2,615)	36,616	208,318	(3,343)	(86,786)
Finance income from retakaful contracts held	(1,395)	-	1,717	11,967	556	12,845
Forex adjustment to comprehensive income	(1,700)	-	-	2,413	121	834
Total amounts recognised in profit & loss and other comprehensive income	(328,857)	(2,615)	38,333	222,698	(2,666)	(73,107)
Cash flows						
Contributions paid net of ceding commissions and other directly attributable expenses	321,592	-	-	-	-	321,592
Recoveries from retakaful	-	-	(29,859)	(231,986)	-	(261,845)
Total cash flows	321,592	-	(29,859)	(231,986)	-	59,747
Retakaful contracts held assets/ (liabilities) at end of year	(100,213)	562	69,122	355,066	11,419	335,956
Retakaful contracts held that are liabilities at end of year	(101,165)	-	-	-	-	(101,165)
Retakaful contracts held that are assets at end of year	952	562	69,122	355,066	11,419	437,121
Retakaful contract net position at end of year	(100,213)	562	69,122	355,066	11,419	335,956

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the liability of remaining coverage & liability for incurred claims for takaful contracts as at 31 December 2024

Amount in AED'000	<i>Liability for remaining coverage</i>		<i>LIC for contracts not under under PAA</i>	<i>Liability for incurred claims (PAA)</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss component</i>		<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Takaful contracts that are liabilities at beginning of year	(1,972,381)	(10,137)	(118,436)	(425,538)	(16,936)	(2,543,428)
Takaful contracts that are assets at beginning of year	6,801	-	-	-	-	6,801
Takaful contracts liabilities at beginning of year	(1,965,580)	(10,137)	(118,436)	(425,538)	(16,936)	(2,536,627)
Takaful revenue	1,046,378	-	-	-	-	1,046,378
Incurred claims and other directly attributable expenses	-	(2,353)	(47,220)	(711,652)	(12,533)	(773,758)
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	1,076	9,388	10,464
Losses on onerous contracts and reversals of those losses	-	(16,839)	-	-	-	(16,839)
Takaful acquisition cash flows amortisations	(199,590)	-	-	-	-	(199,590)
Takaful service expenses	(199,590)	(19,192)	(47,220)	(710,576)	(3,145)	(979,723)
Takaful service result	846,788	(19,192)	(47,220)	(710,576)	(3,145)	66,655
Finance expense from takaful contracts issued recognized	(97,120)	(103)	(2,187)	(17,636)	(845)	(117,891)
Forex adjustment to comprehensive income	17,573	583	1	26,733	883	45,773
Total amounts recognised in profit & loss and other comprehensive income	767,241	(18,712)	(49,406)	(701,479)	(3,107)	(5,463)
Investment component	496,985	-	(496,985)	-	-	-
Contribution received	(1,489,112)	-	-	-	-	(1,489,112)
Claims and other directly attributable expenses paid	-	-	543,193	649,463	-	1,192,656
Takaful acquisition cash flows	243,130	-	-	-	-	243,130
Total cash flows	(1,245,982)	-	543,193	649,463	-	(53,326)
Takaful contracts liabilities at end of year	(1,947,336)	(28,849)	(121,634)	(477,554)	(20,043)	(2,595,416)
Takaful contracts that are liabilities at end of year	(1,947,336)	(28,849)	(121,634)	(477,554)	(20,043)	(2,595,416)
Takaful contracts that are assets at end of year	-	-	-	-	-	-
Takaful contract net position at end of year	(1,947,336)	(28,849)	(121,634)	(477,554)	(20,043)	(2,595,416)

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Retakaful of the Asset for remaining coverage & asset for incurred claims for retakaful contracts as at 31 December 2024

<i>Amount in AED'000</i>	<i>Remaining coverage</i>		<i>LIC for contracts not under under PAA</i>	<i>Incurred claims</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss recovery component</i>		<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Retakaful contracts held that are liabilities at beginning of year	(162,050)	-	-	-	-	(162,050)
Retakaful contracts held that are assets at beginning of year	13,049	1,455	68,505	255,218	10,235	348,462
Retakaful contract net position at beginning of year	(149,001)	1,455	68,505	255,218	10,235	186,412
Retakaful expenses	(374,035)	-	-	-	-	(374,035)
Amortisation of Takaful acquisition cash flows-						
Incurring claims recovery	-	-	14,032	327,449	8,509	349,990
Changes that relate to past service-changes in the FCF relating to incurred claims recovery-	-	-	-	(12,783)	(4,729)	(17,512)
Income on initial recognition of onerous underlying contracts	-	2,704	-	-	-	2,704
Reversal of a loss-recovery component other than changes in the FCF of retakaful contracts held	4	(761)	1	-	-	(756)
Effect of changes in risk of reinsurers' non-performance	-	-	(262)	(1,168)	-	(1,430)
Net income/(expenses) from retakaful contracts held	(374,031)	1,943	13,771	313,498	3,780	(41,039)
Finance income from retakaful contracts held	(10,867)	-	624	10,998	562	1,317
Forex adjustment to comprehensive income	(5,257)	(221)	(1)	(10,107)	(492)	(16,078)
Total amounts recognised in profit & loss and Other comprehensive income	(390,155)	1,722	14,394	314,389	3,850	(55,800)
Cash flows						
Contributions paid net of ceding commissions and other directly attributable expenses	446,209	-	-	-	-	446,209
Recoveries from retakaful	-	-	(22,252)	(205,253)	-	(227,505)
Total cash flows	446,209	-	(22,252)	(205,253)	-	218,704
Retakaful contracts held assets/ (liabilities) at end of year	(92,947)	3,177	60,647	364,354	14,085	349,316
Retakaful contracts held that are liabilities at end of year	(121,544)	-	-	-	-	(121,544)
Retakaful contracts held that are assets at end of year	28,596	3,177	60,648	364,354	14,085	470,860
Retakaful contract net position at end of year	(92,948)	3,177	60,648	364,354	14,085	349,316

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Takaful Contract Liabilities reconciliation of the best estimate liability, risk adjustment and contractual service margin as at 31 December 2025

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening takaful contract assets	-	-	-	-
Opening takaful contract liabilities	(1,525,429)	(40,059)	(406,532)	(1,972,020)
Takaful contracts liabilities at beginning of year	(1,525,429)	(40,059)	(406,532)	(1,972,020)
Changes related to current services				
CSM recognized in profit and loss	-	-	47,793	47,793
Risk Adjustment recognized in profit and loss	-	15,656	-	15,656
Experience adjustments	10,983	(804)	-	10,179
Changes related to future services				
Contracts initially recognized in the period	7,011	(780)	(6,288)	(57)
Changes in estimates that adjust CSM	(57,786)	(12,156)	69,942	-
Changes in estimates that result in onerous contracts or reversal of losses	(19,134)	-	-	(19,134)
Takaful finance expenses through profit and loss	(43,497)	(1,683)	(102,473)	(147,653)
Takaful finance expenses through OCI	3,530	(91)	(440)	2,999
Total changes in statement of profit or loss and OCI	(98,893)	142	8,534	(90,217)
Contribution received	(392,123)	-	-	(392,123)
Claims paid	562,163	-	-	562,163
Acquisition cost paid	37,806	-	-	37,806
Total cash flows	207,846	-	-	207,846
Closing takaful contract assets	-	-	-	-
Closing takaful contract liabilities	(1,416,476)	(39,917)	(397,998)	(1,854,391)
Takaful contract net position at end of year	(1,416,476)	(39,917)	(397,998)	(1,854,391)

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Retakaful Contract Assets reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 December 2025

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening retakaful contract assets	54,742	5,906	-	60,648
Opening retakaful contract liabilities	(207,331)	25,028	60,758	(121,545)
Retakaful contracts held assets/(liabilities) at beginning of year	(152,589)	30,934	60,758	(60,897)
Changes related to current services				
CSM recognized in profit or loss	-	-	(6,490)	(6,490)
Risk Adjustment recognized in profit or loss	-	(1,890)	-	(1,890)
Experience adjustments	7,878	-	-	7,878
Contracts initially recognized in the period	-	-	1	1
Changes in estimates that adjust CSM	(16,280)	2,872	13,408	-
Changes in the FCF that do not adjust the CSM for the group of underlying takaful contracts	-	-	(1,303)	(1,303)
Effect of changes in the risk of reinsurers non-performance	(313)	-	-	(313)
Takaful finance expenses through profit or loss	(5,134)	1,432	4,024	322
Takaful finance expenses through OCI	(4,074)	(350)	1,364	(3,060)
Total changes in statement of profit or loss and OCI	(17,923)	2,064	11,004	(4,855)
Contribution paid to retakaful net of commission	86,910	-	-	86,910
Recoveries from retakaful	(29,860)	-	-	(29,860)
Total cash flows	57,050	-	-	57,050
Closing retakaful contract assets	59,847	7,604	1,749	69,200
Closing retakaful contract liabilities	(173,308)	25,394	70,011	(77,903)
Retakaful contract net position at end of year	(113,462)	32,998	71,762	(8,702)

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Takaful Contract Liabilities - Reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 December 2024

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening takaful contract assets	-	-	-	-
Opening takaful contract liabilities	(1,579,229)	(43,722)	(438,733)	(2,061,684)
Takaful contracts liabilities at beginning of year	(1,579,229)	(43,722)	(438,733)	(2,061,684)
Changes related to current services				
CSM recognized in profit and loss	-	-	55,129	55,129
Risk Adjustment recognized in profit and loss	-	17,736	-	17,736
Experience adjustments	14,922	(34)	-	14,888
Changes related to future services				
Contracts initially recognized in the period	4,698	(747)	(4,801)	(850)
Changes in estimates that adjust CSM	(30,523)	(10,896)	41,419	-
Changes in estimates that result in onerous contracts or reversal of losses	(14,016)	-	-	(14,016)
Takaful finance expenses through profit and loss	(31,333)	(3,395)	(64,682)	(99,410)
Takaful finance expenses through OCI	8,526	999	5,136	14,661
Total changes in statement of profit or loss and OCI	(47,726)	3,663	32,201	(11,862)
Contribution received	(468,707)	-	-	(468,707)
Claims paid	543,193	-	-	543,193
Acquisition cost paid	27,040	-	-	27,040
Total cash flows	101,526	-	-	101,526
Closing takaful contract assets	-	-	-	-
Closing takaful contract liabilities	(1,525,429)	(40,059)	(406,532)	(1,972,020)
Takaful contract net position at end of year	(1,525,429)	(40,059)	(406,532)	(1,972,020)

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13 TAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

Retakaful Contract Assets reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 December 2024

<i>Amounts in AED'000</i>	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening retakaful contract assets	68,794	10,120	(10,409)	68,505
Opening retakaful contract liabilities	(228,394)	27,157	44,015	(157,222)
Retakaful contracts held assets/(liabilities) at beginning of year	(159,600)	37,277	33,606	(88,717)
Changes related to current services				
CSM recognized in profit or loss	-	-	(6,712)	(6,712)
Risk Adjustment recognized in profit or loss	-	(4,617)	-	(4,617)
Experience adjustments	(14,824)	-	-	(14,824)
Contracts initially recognized in the period	-	-	15	15
Changes in estimates that adjust CSM	(19,548)	(84)	19,632	-
Changes in the FCF that do not adjust the CSM for the group of underlying takaful contracts	-	-	(86)	(86)
Effect of changes in the risk of reinsurers non-performance	(262)	-	-	(262)
Takaful finance expenses through profit or loss	(16,236)	2,889	3,103	(10,244)
Takaful finance expenses through OCI	(8,900)	(4,531)	11,200	(2,231)
Total changes in statement of profit or loss and OCI	(59,770)	(6,343)	27,152	(38,961)
Contribution paid to retakaful net of commission	89,033	-	-	89,033
Recoveries from retakaful	(22,252)	-	-	(22,252)
Total cash flows	66,781	-	-	66,781
Closing retakaful contract assets	54,742	5,906	-	60,648
Closing retakaful contract liabilities	(207,330)	25,028	60,758	(121,544)
Retakaful contract net position at end of year	(152,589)	30,934	60,758	(60,897)

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

14 OPERATING SEGMENT

For operating purposes, the Group is organised into two main business segments:

- Underwriting of general takaful business incorporating all classes of general takaful including fire, marine, motor, general accident, engineering, medical. This business is conducted in the UAE, Egypt and Algeria.
- Underwriting of life takaful business incorporating individual and group life takaful. This business is conducted in UAE and Egypt.

Consolidated statement of profit or loss by business

	<i>For the year ended 31 December 2025</i>			<i>For the year ended 31 December 2024</i>		
	<i>General Takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General Takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Takaful revenue	782,402	222,588	1,004,990	820,654	225,724	1,046,378
Takaful service expenses	(773,916)	(143,918)	(917,834)	(855,022)	(124,701)	(979,723)
Net expenses from retakaful contracts held	(60,515)	(26,271)	(86,786)	7,262	(48,300)	(41,038)
TAKAFUL SERVICE RESULT	(52,029)	52,399	370	(27,106)	52,723	25,617
Investment and other income			207,310			185,824
Net takaful finance (expenses)/income			(150,899)			(116,574)
Other operational expenses, impairment of goodwill and income tax			(45,584)			(70,278)
Net profit after tax			11,197			24,589

Consolidated statement of profit or loss by geography

	<i>For the year ended 31 December 2025</i>			<i>For the year ended 31 December 2024</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Takaful revenue	252,489	752,501	1,004,990	211,340	835,038	1,046,378
Takaful service expenses	(257,084)	(660,750)	(917,834)	(187,891)	(791,832)	(979,723)
Net expenses from retakaful contracts held	(597)	(86,189)	(86,786)	(13,039)	(27,999)	(41,038)
TAKAFUL SERVICE RESULT	(5,192)	5,562	370	10,410	15,207	25,617
Investment and other income			207,310			185,824
Net Takaful finance (expenses)/income			(150,899)			(116,574)
Other operational expenses, impairment of goodwill and income tax			(45,584)			(70,278)
Net profit after tax			11,197			24,589

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

14 OPERATING SEGMENT (continued)

Consolidated statement of financial position by business as at 31 December 2025

	<i>General takaful</i> <i>AED'000</i>	<i>Family takaful</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Assets			
Property and equipment	44,837	2,632	47,469
Goodwill and intangibles	66,649	38	66,687
Investment properties	53,656	-	53,656
Right of use assets	5,814	101	5,915
Investments in associates	39,231	-	39,231
Deposits	292,461	21,767	314,228
Investments	209,948	53,531	263,479
Participants' investments in unit-linked contracts	-	1,780,279	1,780,279
Deposits with takaful and retakaful companies	773	-	773
Retakaful contract assets	362,922	74,199	437,121
Other assets and receivables	32,632	911	33,543
Bank balances and cash	109,076	84,685	193,761
	<u>1,217,999</u>	<u>2,018,143</u>	<u>3,236,142</u>
Liabilities and policyholders' fund			
Technical reserves	-	80,986	80,986
Takaful contract Liabilities	592,138	1,886,748	2,478,886
Retakaful contract Liabilities	23,263	77,902	101,165
Other payables and accruals	139,190	69,885	209,075
Lease liabilities	5,924	82	6,006
	<u>760,515</u>	<u>2,115,603</u>	<u>2,876,118</u>
Total liabilities	760,515	2,115,603	2,876,118
Policyholders' fund	-	-	-
	<u>457,484</u>	<u>(97,460)</u>	<u>360,024</u>
Financed by:			
Shareholders' equity			300,035
Non-controlling interest			59,989
			<u>360,024</u>

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

14 OPERATING SEGMENT (continued)

Consolidated Statement of financial position by business as at 31 December 2024

	<i>General takaful</i> <i>AED'000</i>	<i>Family takaful</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Assets			
Property and equipment	44,227	2,494	46,721
Goodwill and intangibles	66,456	732	67,188
Investment properties	48,840	-	48,840
Right of use assets	6,385	140	6,525
Investments in associates	35,885	-	35,885
Deposits	163,518	135,323	298,841
Investments	169,219	53,523	222,742
Participants' investments in unit-linked contracts	-	1,919,837	1,919,837
Deposits with takaful and retakaful companies	-	748	748
Retakaful contract assets	406,591	64,269	470,860
Other assets and receivables	36,628	3,368	39,996
Bank balances and cash	67,777	80,996	148,773
	<u>1,045,526</u>	<u>2,261,430</u>	<u>3,306,956</u>
Liabilities and policyholders' fund			
Technical reserves	-	71,846	71,846
Takaful contract Liabilities	590,712	2,004,704	2,595,416
Retakaful contract Liabilities	-	121,544	121,544
Other payables and accruals	155,770	21,797	177,567
Lease liabilities	6,061	142	6,203
	<u>752,543</u>	<u>2,220,033</u>	<u>2,972,576</u>
Total liabilities	752,543	2,220,033	2,972,576
Policyholders' fund	-	-	-
	<u>292,983</u>	<u>41,397</u>	<u>334,380</u>
Total equity			
Financed by:			
Shareholders' equity			284,048
Non-controlling interest			50,332
			<u>334,380</u>

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

15. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the International Accounting Standard ISA 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. The following are the details of significant transactions with related parties.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Contribution	-	379
Claims paid	-	17
General and Administrative Expenses	-	132
	<u> </u>	<u> </u>
Compensation of key management personnel		
Short term benefits	4,179	6,007
Employees end of service benefits	120	159
	<u> </u>	<u> </u>
	4,299	6,166
	<u> </u>	<u> </u>
Board of Directors' remuneration	1,676	1,377
	<u> </u>	<u> </u>

16. OTHER ASSETS AND RECEIVABLES

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Profit receivable	25,785	27,786
Deferred tax (note 29)	7,718	5,166
Others	52,183	59,187
Less: provision for credit losses (Note 36)	(52,143)	(52,143)
	<u> </u>	<u> </u>
	33,543	39,996
	<u> </u>	<u> </u>

The other assets and receivables include other receivables amounting to AED 33.639 million which was previously subjected to a legal case, which is disclosed in Note 31. The Group has fully provided an impairment for these assets in prior years.

The Group has provided full provision amounting to AED 14.873 million against profit receivable on investments (2024: AED 14.873 million).

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

17. BANK BALANCES AND CASH

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Cash in hand	101	84
Cash at bank	164,134	139,328
Term deposits (Note 17.1)	31,179	11,014
Less: provision for credit losses	(1,653)	(1,653)
	<u>193,761</u>	<u>148,773</u>
Bank balances and Cash	193,761	148,773
Less: term deposits under lien	(3,837)	(8,712)
Less: term deposits with maturity after three months	(26,709)	(4,331)
	<u>163,215</u>	<u>135,730</u>

Cash and bank balances – by geographical distribution

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Domestic	114,489	72,493
International	80,925	77,933
	<u>195,414</u>	<u>150,426</u>

17.1 Term deposits carried profit ranging from 0.22% to 0.85% per annum (2024: 0.22% to 0.85% per annum).

18. OTHER PAYABLES AND ACCRUALS

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Payable to suppliers	90,468	68,766
Staff related accruals	14,133	10,685
Provision against doubtful debts	52,005	48,454
Accrued expenses	18,060	15,651
Other provisions	5,978	2,975
Taxes payable (note 29)	23,469	22,226
Deferred tax liabilities (note 29)	243	4,091
ECL on retakaful share of outstanding claims (note 36)	548	548
ECL on Contributions and takaful balance receivables (note 36)	4,171	4,171
	<u>209,075</u>	<u>177,567</u>

19. POLICYHOLDERS' FUND

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Balance at 1 January	(151,119)	(107,265)
Net deficit attributable to policyholders for the year	(51,036)	(43,854)
Qard Hassan write-off	69	-
	<u>(202,086)</u>	<u>(151,119)</u>
Financed by shareholders	202,086	151,119
Policyholders' fund	<u>-</u>	<u>-</u>

The shareholders of the Group financed the policyholders' deficit in accordance with the takaful contracts between the Group and its Policyholders.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

20. SHARE CAPITAL

	2025 AED'000	2024 AED'000
<i>Issued and fully paid</i>		
483,021 thousand (2024: 939,589 thousand) ordinary shares of AED 1 each	483,021	939,589
	Number of shares	Value AED'000
Share capital as of 1 January 2025	939,588,998	939,589
Cancellation of shares	(456,567,815)	(456,568)
Balance as of 31 December 2025	483,021,183	483,021

21. TREASURY SHARES

In 2008, the Company bought back 21,669,790 shares amounting to AED 35,972 thousand. The treasury shares are debited as a separate category of shareholders' equity at cost. During the year ended 31 December 2023, due to the cancellation of share capital the treasury shares were reduced to 16,830,489 ordinary shares. On 16 October 2025, at the General Assembly Meeting, the shareholder approved the cancellation of 16,830,489 treasury shares of AED 1 each, which was subsequently completed on 9 January 2026.

22. STATUTORY RESERVE

In accordance with the U.A.E. Federal Decree Law No. 32 of 2021 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid-up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

During the year, the Group has utilised the AED 4,124 thousand to offset some of the accumulated losses of the Group. On 16 October 2025, at the General Assembly Meeting, the shareholder approved the utilization of statutory reserves, which was subsequently completed on 9 January 2026.

23. OTHER RESERVES

Other reserves include following:

	2025 AED'000	2024 AED'000
Revaluation reserve	34,118	34,118
Foreign exchange translation reserve	(175,125)	(188,067)
Investment fair value reserve	(32,564)	(33,271)
Regulatory reserve – UAE operations (note 23.1)	9,002	7,388
	(164,569)	(179,832)

23.1 Regulatory reserve – UAE operations

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations, the Group has allocated an amount equal to 0.5% of the total retakaful contributions ceded in all classes to retakaful reserve from the effective date of the said decision. This reserve shall be accumulated year after year and may not be disposed off without the written approval of the regulator.

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23. OTHER RESERVES (continued)

23.2 Appreciation / (Devaluation) of currency

The group owns two subsidiaries operating in Egypt and one subsidiary in Algeria and their functional currencies are Egyptian Pound EGP and Algerian Dinar DZD. The appreciation of their functional currencies during the year as compared to prior year devaluation impacted the Group's consolidated financial statements. Group recorded a gain of AED 15,850 thousand (2024: loss of AED 43,723 thousand) in the consolidated statement of changes in equity related to the translation of foreign operations into functional currency (AED).

24. NON-CONTROLLING INTEREST

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests (NCI) as at the reporting date, before any intra-group eliminations:

Egypt Saudi Insurance House

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Non-controlling interest share	48.85%	48.85%
Current assets	119,907	82,446
Non-current assets	92,921	83,296
Current liabilities	(125,074)	(112,309)
Carrying amount of non-controlling interest (A)	42,868	26,102
	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Profit	14,140	21,132
Total comprehensive (loss)/income	18,502	(17,089)
Profit/ (loss) allocated to non-controlling interest	9,038	(8,348)
Cash flows generated from operating activities	11,984	44,387
Cash flows used in investing activities	(38,921)	(49,609)
	(26,937)	(5,222)
Other subsidiaries	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Carrying amount of non-controlling interest (B)	17,121	24,230
Total Carrying amount of non-controlling interest (A+B)	59,989	50,332

During the year ended December 31, 2025, Salama Algeria paid dividend for AED 14.679 million (2024: AED 22.394 million) out of 3.02% paid to NCI according to their holding percentage for AED 0.443 million (2024: AED 0.692 million). During the year ended December 31, 2024, Salama Takaful Insurance (formerly Egyptian Saudi Insurance House) paid declared for AED 21.669 million out of 48.85% paid to NCI for AED 10.586 million. These dividends have been approved by their respective board of directors of the subsidiaries.

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25. INCOME FROM INVESTMENTS

	2025 AED'000	2024 AED'000
<i>Policyholders' income</i>		
Unrealised gain on unit-linked portfolio	144,224	106,409
Income from bank deposits	53	80
	<u>144,277</u>	<u>106,489</u>
<i>Shareholders' income</i>		
Unrealised gain/ (loss) on investment at FVTPL	866	(19)
Realised gain on investment at FVTPL	765	-
Fair value gain on investment properties (note 7)	2,925	4,502
Realized gain on investment properties	-	2,016
Income on deposits and wakala certificates	42,962	43,275
Share of profit from associate (note 9)	3,159	2,135
Others	624	786
	<u>51,301</u>	<u>52,695</u>
	<u>195,578</u>	<u>159,184</u>

26. TAKAFUL REVENUE

31 December 2025

	<i>Life</i> AED'000	<i>General</i> AED'000	<i>Total</i> AED'000
Amounts related to changes in LRC			
Expected incurred claims & other expenses	54,174	-	54,174
Change in risk adjustment	15,656	-	15,656
CSM recognized	43,523	-	43,523
Recovery of acquisition cash flows	4,266	-	4,266
	<u>117,619</u>	<u>-</u>	<u>117,619</u>
Contracts not measured under PAA	117,619	-	117,619
Contracts measured under PAA	104,969	782,402	887,371
Total takaful revenue	222,588	782,402	1,004,990

31 December 2024

	<i>Life</i> AED'000	<i>General</i> AED'000	<i>Total</i> AED'000
Amounts related to changes in LRC			
Expected incurred claims & other expenses	62,107	-	62,107
Change in risk adjustment	17,736	-	17,736
CSM recognized	54,126	-	54,126
Recovery of acquisition cash flows	3,827	-	3,827
	<u>137,796</u>	<u>-</u>	<u>137,796</u>
Contracts not measured under PAA	137,796	-	137,796
Contracts measured under PAA	87,928	820,654	908,582
Total takaful revenue	225,724	820,654	1,046,378

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27. TAKAFUL SERVICE EXPENSES

31 December 2025

	<i>Life</i> <i>AED'000</i>	<i>General</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Incurring claims and other directly attributable expenses	78,310	518,713	597,023
Amortisation of Takaful Acquisition Cash Flows	37,409	198,317	235,726
Changes related to past service	9,007	70,144	79,151
Losses on onerous contracts and reversals of those losses	19,192	(13,258)	5,934
Total	143,918	773,916	917,834

31 December 2024

	<i>Life</i> <i>AED'000</i>	<i>General</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Incurring claims and other directly attributable expenses	75,958	697,800	773,758
Amortisation of Takaful Acquisition Cash Flows	29,948	169,643	199,591
Changes related to past service	3,930	(14,394)	(10,464)
Losses on onerous contracts and reversals of those losses	14,865	1,973	16,838
Total	124,701	855,022	979,723

28. NET TAKAFUL FINANCE RESULTS

31 December 2025

	<i>Gross</i> <i>AED'000</i>	<i>Retakaful</i> <i>AED'000</i>
Profit accreted to takaful contracts using current financial assumptions	(21,926)	9,762
Due to changes in profit rates & other financial assumptions	5,925	1,366
Fair value movement of Unit link product	(146,849)	-
Difference in increase in liability for incurred claims RA	(894)	1,717
	(163,744)	12,845

31 December 2024

	<i>Gross</i> <i>AED'000</i>	<i>Retakaful</i> <i>AED'000</i>
Profit accreted to takaful contracts using current financial assumptions	(19,943)	5,887
Due to changes in profit rates & other financial assumptions	13,542	(5,193)
Fair value movement of Unit link product	(109,303)	-
Difference in increase in liability for incurred claims RA	(2,187)	623
	(117,891)	1,317

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29. INCOME TAXES

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected annual earnings. The Group entities operate in the Egypt and Algeria and are subject to income tax in these countries. The component of income tax recognised in the consolidated statement of profit or loss is as follows:

	2025 AED'000	2024 AED'000
Current income tax expense	7,339	8,015
Deferred taxes	(1,756)	4,013
	<u>5,583</u>	<u>12,028</u>

Reconciliation of tax expenses and accounting profit is not provided as majority of the earnings are not subject to tax.

	2025 AED'000	2024 AED'000
<i>Current Tax payable</i>		
As at 1 January	22,226	16,038
Provisions during the year	7,339	8,015
Less: payments	(7,323)	-
Exchange differences	1,227	(1,827)
Balance as at the end of the year	<u>23,469</u>	<u>22,226</u>

	2025 AED'000	2024 AED'000
<i>Deferred Tax Assets</i>		
As at 1 January	5,166	5,200
Provisions during the year	2,317	-
Exchange differences	235	(34)
Balance as at the end of the year	<u>7,718</u>	<u>5,166</u>

	2025	2024
<i>Deferred Tax Liabilities</i>		
As at 1 January	4,091	121
(Reversal) / Provisions during the year	(4,073)	4,013
Exchange differences	225	(43)
Balance as at the end of the year	<u>243</u>	<u>4,091</u>

30. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	2025	2024
Profit for the year attributable to shareholders (AED'000)	<u>4,014</u>	<u>13,091</u>
Weighted average of shares (in thousands)	<u>829,992</u>	<u>922,759</u>
Basic and diluted earnings per share (AED)	<u>0.005</u>	<u>0.014</u>

Basic earnings per share are calculated by dividing the profit for the year by the number of weighted average shares outstanding at the end of the reporting period after taking into account the treasury shares held. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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As at 31 December 2025

31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2025 AED'000	2024 AED'000
Letter of Guarantees in favor of CBUAE	210,000	210,000
Other letter of guarantees	3,495	8,713
	<u>213,495</u>	<u>218,713</u>

Statutory Deposits (note 10) of AED 314,228 thousand (2024: AED 298,841 thousand) includes deposits amounting to AED 70,000 thousand (2024: AED 70,000 thousand) which are held as lien by the bank against the abovementioned letter of guarantees issued by bank in favor of the Central Bank of United Arab Emirates ("CBUAE").

Other letter of guarantee was issued during normal course of business against which term deposits of AED 3,837 thousand (2024: AED 8,712 thousand) (note 17) which are held as lien by the bank.

Ongoing legal case

Group's total assets includes Investment property with a carrying amount of AED 84,957 thousand (2024: AED 84,957 thousand) (note 7), Investment at fair value through other comprehensive income of AED 58,244 thousand (2024: AED 58,244 thousand) and investments held at amortised cost of AED 111,627 thousand (2024: AED 111,627 thousand) (note 11); and Other receivables with a carrying amount of AED 33,639 thousand (2024: AED 33,639 thousand) (note 16). Aforementioned assets are under dispute due to litigation between the Group and a Bank (previously a related party).

Group has initiated legal actions, including civil and criminal cases at Dubai Courts, to safeguard rights and reclaim contested assets. Additionally, Group is pursuing legal measures in other jurisdictions against the parties implicated in the criminal case. Legal consultants of the Group express confidence in Group's strong legal position in these disputes, based on the progress of actions taken to date, the positive legal rulings obtained, and those currently in progress. The Group has fully provided an impairment for these assets.

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants, takaful, retakaful operators and others in connection with policies issued and other activities in the normal course of the business. The management believes, based on independent legal counsel opinions, that the ascertainment of liabilities and their timing is highly subjective and dependent on the outcome of courts' decisions.

There are no significant capital commitments at 31 December 2025 (2024: nil).

32. OPERATING LEASE COMMITMENTS

Group as a lessee

The future minimum lease payments for contracts under non-cancellable operating lease are as follows:

	2025 AED'000	2024 AED'000
<i>Future minimum lease payments:</i>		
Due within one year	<u>2,161</u>	<u>2,189</u>

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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33. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

<i>31 December 2025</i>	<i>FVTPL AED'000</i>	<i>FVOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total AED'000</i>
Financial assets				
Investments	5,712	16,510	241,257	263,479
Statutory deposits	-	-	314,228	314,228
Unit Linked investments	1,780,279	-	-	1,780,279
Deposits with takaful and retakaful companies	-	-	773	773
Other assets and receivables	-	-	21,153	21,153
Bank balances and cash	-	-	195,313	195,313
	<u>1,785,991</u>	<u>16,510</u>	<u>772,724</u>	<u>2,575,225</u>
Financial liabilities				
Other payables and accruals	-	-	176,883	176,883
Lease liabilities	-	-	6,006	6,006
	<u>-</u>	<u>-</u>	<u>182,889</u>	<u>182,889</u>
 <i>31 December 2024</i>				
	<i>FVTPL AED'000</i>	<i>FVOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total AED'000</i>
Financial assets				
Investments	723	21,947	200,072	222,742
Statutory deposits	-	-	298,841	298,841
Unit Linked investments	1,919,837	-	-	1,919,837
Deposits with takaful and retakaful companies	-	-	748	748
Other assets and receivables	-	-	16,897	16,897
Bank balances and cash	-	-	150,342	150,342
	<u>1,920,560</u>	<u>21,947</u>	<u>666,900</u>	<u>2,609,407</u>
Financial liabilities				
Other payables and accruals	-	-	73,485	73,485
Lease liabilities	-	-	6,203	6,203
	<u>-</u>	<u>-</u>	<u>79,688</u>	<u>79,688</u>

34. FAIR VALUE OF FINANCIAL INSTRUMENT

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

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

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34. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other contribution used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of assets and liabilities measured at fair value

The following table analyses assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

As at 31 December 2025

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<i>Financial assets</i>				
<i>Financial asset at fair value through profit or loss</i>				
Shares and securities	5,712	-	-	5,712
Unit Linked investments	-	1,780,279	-	1,780,279
	<u>5,712</u>	<u>1,780,279</u>	<u>-</u>	<u>1,785,991</u>
<i>Financial asset at fair value through OCI</i>				
Mutual fund	-	-	74,527	74,527
Shares and securities	-	1,294	-	1,294
Less: provision for credit losses	-	-	(59,311)	(59,311)
	<u>-</u>	<u>1,294</u>	<u>15,216</u>	<u>16,510</u>
<i>Non-financial assets</i>				
Investment properties	-	-	53,656	53,656
	<u>-</u>	<u>-</u>	<u>53,656</u>	<u>53,656</u>

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34. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

As at 31 December 2024

	<i>Level 1</i> AED'000	<i>Level 2</i> AED'000	<i>Level 3</i> AED'000	<i>Total</i> AED'000
Financial assets				
<i>Financial asset at fair value through profit or loss</i>				
Shares and securities	723	-	-	723
Unit Linked investments	-	1,919,837	-	1,919,837
	<u>723</u>	<u>1,919,837</u>	<u>-</u>	<u>1,920,560</u>
<i>Financial asset at fair value through OCI</i>				
Mutual fund	-	-	80,299	80,299
Shares and securities	-	959	-	959
Less: provision for credit losses	-	-	(59,311)	(59,311)
	<u>-</u>	<u>959</u>	<u>20,988</u>	<u>21,947</u>
<i>Non-financial assets</i>				
Investment properties	-	-	48,840	48,840
	<u>-</u>	<u>-</u>	<u>48,840</u>	<u>48,840</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	<i>2025</i> AED'000	<i>2024</i> AED'000
Movement in investment properties		
Balance at 1 January	48,840	60,419
Addition	-	21
Unrealized gain on investment properties (note 25)	2,925	4,502
Disposal / Transfer	-	(11,006)
Currency translation differences	1,891	(5,096)
	<u>53,656</u>	<u>48,840</u>

35. RISK MANAGEMENT

The Group issues contracts that transfer either takaful risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risk. This section summarises these risks and the way the Group manages them.

a) Introduction and overview

Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Group is in the phase of establishing a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. The operations of the Group are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts. The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful and investment liabilities.

The Group's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful and investment contracts. The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its takaful and investment contracts. The most important components of risk management includes takaful risk and financial risk.

The vast majority of assets held by Salama relate to assets linked to liabilities for unit linked policies (through the Participant Investment Accounts – PIA). Policyholders bear all risks relating to PIA assets and liabilities, other than the operational risk of matching assets not being invested in after allocating units to policies.

A high-level review of the company's asset and liability cash flow profile suggests that the assets for different durations are sufficient to meet its corresponding liabilities.

ALM Committee

ALM Committee will be a sub-Committee of the Investment Committee. It comprises of at least 2 members which are appointed by the Committee. Committee is to have annual meetings alongside other informal meetings. The ALM Committee includes members of Local senior management (CFO, Risk Head and Head of Actuarial function, if applicable) and a member representative of the SALAMA Board. The CFO is responsible for reporting the proceedings of the meetings of the ALM Committee to the Investment Committee which will be included in the Investment Committee report to the Board of Directors.

The responsibilities of the committee include validating the strategic asset allocation and ensuring compliance on risk appetite limits, regulatory and other accounting constraints. ALM is also responsible for monitoring liquidity position and exploring alternative funding sources.

b) Takaful risk

Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

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35. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group underwrites property, engineering, motor, miscellaneous accident, marines and personal accident classes. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span. This helps to mitigate takaful risk.

Property

For property takaful contracts, the main perils are fire damage and other allied perils and business interruption resulting there from. These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of takaful are the main factors that influence the level of claims.

Engineering

For engineering takaful contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plants, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor

For motor takaful contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous accident

For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine takaful the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Family takaful contracts

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Health selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Retakaful risk

In line with other takaful and retakaful companies, in order to minimise net loss exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

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35. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

Retakaful risk (continued)

Assets, liabilities, income and expense arising from ceded retakaful contracts are presented separately from assets, liabilities, income and expense from the related takaful contract because the retakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the retakaful fails to meet the obligations under the retakaful agreements.

Concentration of takaful risk

The Group has certain single takaful contracts which it considers as risks of high severity but very low frequency. The Group cedes substantial part of these risks and its net retention on any one single event is limited to AED 1 million (2024: AED 1 million).

Terms and conditions of takaful contracts

Takaful is based on uncertainty of event. As such the terms and conditions of takaful contracts varies but are normally based on the international guidance and policy wordings as followed by all takaful companies in the market.

Normally a takaful contract contains the coverage of the subject of takaful, the exclusions and obligations of the insured and the insurers. Deviations are reported forthwith to the insurer by the insured and any accident event to be reported immediately. Long tail business is generally that where the time period to ultimately finalise and settle claims could take a number of years.

The Group's estimates for reported and unreported losses and establishing resulting provisions and related retakaful recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the consolidated statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future claims.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practises for the General Takaful and Individual Family Takaful Portfolio involve the use of actuarial analysis from an independent actuary.

c) Financial risks

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Group, other than those relating to retakaful contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the consolidated financial position date.

Retakaful is placed with reinsures and retakaful companies approved by the management, which are generally international companies that are rated by international rating agencies or other GCC companies.

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35. RISK MANAGEMENT (continued)

c) Financial risks (continued)

i) Credit risk (continued)

To minimise its exposure to significant losses from reinsurer and retakaful insolvencies, the Group evaluates the financial condition of its reinsures and retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and retakaful companies.

At each reporting date, management performs an assessment of creditworthiness of reinsures and retakaful companies updates the retakaful purchase strategy, ascertaining suitable allowance for impairment if required.

The Group monitors concentrations of credit risk by sector and by geographic location.

Credit risk is controlled through terms of trade for receipt of contributions. Most of the counterparties are takaful companies that are generally not rated. However, they are selected on their standing in the market, rating, relationship experience and length of association. All retakaful counterparties are rated.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the year is disclosed.

31 December 2025

	<i>Credit ratings</i>			<i>Total</i> AED '000
	<i>A+ to A-</i> AED '000	<i>BBB+ to</i> <i>BBB-</i> AED '000	<i>Below</i> <i>BBB- or</i> <i>not rated</i> AED '000	
Assets				
Investments held at amortised cost	75,454	32,009	280,097	387,560
Investments carried at FVTPL	-	-	5,712	5,712
Investments carried at FVOCI	11,313	-	64,508	75,821
Statutory deposits	70,000	19,361	224,867	314,228
Other receivables and prepayments	20,369	-	52,927	73,296
Deposits with takaful and retakaful companies	773	-	-	773
Cash and cash equivalents	61,170	72,644	61,499	195,313
Less: Allowance for expected credit losses	(1,364)	(771)	(257,275)	(259,410)
	<u>237,715</u>	<u>123,243</u>	<u>432,335</u>	<u>793,293</u>

31 December 2024

	<i>Credit ratings</i>			<i>Total</i> AED '000
	<i>A+ to A-</i> AED '000	<i>BBB+ to</i> <i>BBB-</i> AED '000	<i>Below</i> <i>BBB- or</i> <i>not rated</i> AED '000	
Assets				
Investments held at amortised cost	59,898	24,339	290,899	375,136
Investments carried at FVTPL	-	-	723	723
Investments carried at FVOCI	17,816	-	63,442	81,258
Statutory deposits	70,000	15,298	213,543	298,841
Other receivables and prepayments	16,879	-	52,143	69,022
Deposits with takaful and retakaful companies	748	-	-	748
Cash and cash equivalents	70,221	2,189	77,932	150,342
Less: Allowance for expected credit losses	(1,364)	(771)	(286,036)	(288,171)
	<u>234,198</u>	<u>41,055</u>	<u>412,646</u>	<u>687,899</u>

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As at 31 December 2025

35. RISK MANAGEMENT (continued)

c) Financial risks (continued)

i) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	<i>31 December 2025 AED'000</i>	<i>31 December 2024 AED'000</i>
Statutory deposits	314,228	298,841
Investments held at amortised cost	241,257	200,072
Investments carried at FVOCI	16,510	21,947
Investments carried at FVTPL	5,712	723
Participants' investments in unit-linked contracts	1,780,279	1,919,837
Deposits with takaful and retakaful companies	773	748
Retakaful contract assets	437,121	470,860
Other assets and receivables	21,153	16,879
Bank balances	193,660	148,689
	3,010,693	3,078,596

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been added to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

At 31 December 2025

	<i>Neither past due nor impaired</i>			
	<i>Investment grade AED'000</i>	<i>Non-investment grade AED'000</i>	<i>Past due or impaired AED'000</i>	<i>Total AED'000</i>
Investments held at amortised cost	107,463	280,097	-	387,560
Participants' investments in unit-linked contracts	1,780,279	-	-	1,780,279
Investments carried at FVTPL	-	5,712	-	5,712
Investments carried at FVOCI	11,313	64,508	-	75,821
Retakaful contract assets	437,121	-	-	437,121
Other receivables and prepayments	20,369	52,927	-	73,296
Deposits with takaful and retakaful companies	773	-	-	773
Statutory deposits	89,361	224,867	-	314,228
Bank balances	132,262	63,051	-	195,313
	2,578,941	691,162	-	3,270,103
Less: Allowance for expected credit losses	(2,135)	(257,275)	-	(259,410)
	2,576,806	433,887	-	3,010,693

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

c) Financial risks (continued)

i) Credit risk (continued)

At 31 December 2024

	<i>Neither past due nor impaired</i>			<i>Total AED'000</i>
	<i>Investment grade AED'000</i>	<i>Non-investment grade AED'000</i>	<i>Past due or impaired AED'000</i>	
Investments held at amortised cost	84,237	290,899	-	375,136
Participants' investments in unit-linked contracts	1,919,837	-	-	1,919,837
Investments carried at FVTPL	-	723	-	723
Investments through other comprehensive income	17,816	63,442	-	81,258
Retakaful contract assets	470,860	-	-	470,860
Other receivables and prepayments	16,879	52,143	-	69,022
Deposits with takaful and retakaful companies	748	-	-	748
Takaful contract assets	-	-	-	-
Statutory deposits	85,298	213,543	-	298,841
Bank balances	72,410	77,932	-	150,342
	<u>2,670,948</u>	<u>698,682</u>	<u>-</u>	<u>3,369,630</u>
Less: Allowance for expected credit losses	(2,135)	(286,036)	-	(288,171)
	<u><u>2,668,813</u></u>	<u><u>412,646</u></u>	<u><u>-</u></u>	<u><u>3,081,459</u></u>

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notices were to be given immediately.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

c) Financial risks (continued)

ii) Liquidity risk

Maturity profiles (continued)

At 31 December 2025

	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>	<i>Total AED'000</i>
Assets			
Held at amortised cost	288,927	98,633	387,560
Investments held at fair value through OCI	60,432	15,389	75,821
Investments carried at FVTPL	5,712	-	5,712
Other receivables and prepayments	73,296	-	73,296
Deposits with takaful and retakaful companies	773	-	773
Statutory deposits	171,106	143,122	314,228
Cash and bank balances	195,313	-	195,313
Less: Provision for expected credit losses	(193,396)	(66,014)	(259,410)
Total assets	602,163	191,130	793,293
Liabilities			
Lease liabilities	2,119	3,887	6,006
Total liabilities	2,119	3,887	6,006

31 December 2024

	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>	<i>Total AED'000</i>
Assets			
Held at amortised cost	284,944	90,192	375,136
Investments held at fair value through OCI	60,223	21,035	81,258
Investments carried at FVTPL	723	-	723
Other receivables and prepayments	69,022	-	69,022
Deposits with takaful and retakaful companies	748	-	748
Statutory deposits	168,663	130,178	298,841
Cash and bank balances	150,426	-	150,426
Less: Provision for expected credit losses	(222,014)	(66,157)	(288,171)
Total assets	512,735	175,248	687,983
Liabilities			
Lease liabilities	2,293	4,857	7,150
Total liabilities	2,293	4,857	7,150

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and sukuk markets. In addition, the Group actively monitors the key factors that affect stock and sukuk market movements, including analysis of the operational and financial performance of investees.

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

c) Financial risks (continued)

iii) Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The significant financial assets and liabilities exposed to currency risk in equivalent thousands of Dirham are as under:

<i>31 December 2025</i>	<i>Financial assets AED'000</i>	<i>Financial liabilities AED'000</i>	<i>Net AED'000</i>
Currency			
USD	659,409	(183,523)	475,886
EGP	158,321	(103,448)	54,873
CFA	13,498	(4,072)	9,426
DZD	360,805	(140,443)	220,362
Others	55,720	-	55,720
<i>31 December 2024</i>	<i>Financial assets AED'000</i>	<i>Financial liabilities AED'000</i>	<i>Net AED'000</i>
Currency			
USD	673,899	(189,199)	484,700
EGP	154,377	(101,863)	52,514
CFA	12,980	(4,193)	8,787
DZD	341,415	(133,289)	208,126
Others	66,046	(11)	66,035

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other assumptions held constant showing the impact on net profit or equity. The sensitivities carried out for subsidiaries only as the impact of currency risk on the Group's own assets and liabilities is considered insignificant.

<i>31 December 2025</i>	<i>Change in exchange rates</i>	<i>Profit or loss AED'000</i>	<i>Other comprehensive Income AED'000</i>
Financial assets	+5%	-	+62,388
	-5%	-	-62,388
Financial liabilities	+5%	-	+21,574
	-5%	-	-21,574
<i>31 December 2024</i>	<i>Change in exchange rates</i>	<i>Profit or loss AED'000</i>	<i>Other Comprehensive Income AED'000</i>
Financial assets	+5%	-	+62,436
	-5%	-	-62,436
Financial liabilities	+5%	-	+21,427
	-5%	-	-21,427

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES
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As at 31 December 2025

35. RISK MANAGEMENT (continued)

35.1 Claims development process

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Group has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

<i>Takaful claims-gross</i>						
<i>Underwriting year</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>Total</i>
<i>(cumulative amounts)</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Development year 1	211,986	230,016	595,312	531,154	513,943	513,943
Development year 2	382,027	612,499	522,552	538,091	-	538,091
Development year 3	515,580	647,872	905,639	-	-	905,639
Development year 4	844,897	661,559	-	-	-	661,559
Development year 5	523,391	-	-	-	-	523,391
Current estimate of cumulative claims (A)	523,391	661,559	905,639	538,091	513,943	3,142,623
Cumulative payments to date (B)	(504,671)	(620,170)	(777,108)	(465,629)	(292,757)	(2,660,335)
	<u>18,720</u>	<u>41,389</u>	<u>128,531</u>	<u>72,462</u>	<u>221,186</u>	<u>482,288</u>
Provision for prior years						<u>36,776</u>
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)						519,064
Effect of discounting						(21,287)
Effect of risk adjustment for non-financial risk						24,159
Others*						109,603
Total Gross Liability for Incurred Claims						631,539

* Others include Takaful claims and other related payables

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

35.1 Claims development process (continued)

Takaful claims-net

<i>Underwriting year (cumulative amounts)</i>	<i>2021 AED'000</i>	<i>2022 AED'000</i>	<i>2023 AED'000</i>	<i>2024 AED'000</i>	<i>2025 AED'000</i>	<i>Total AED'000</i>
Development year 1	86,769	93,826	118,297	84,496	293,345	293,345
Development year 2	90,424	206,569	308,109	252,380	-	252,380
Development year 3	118,297	228,830	456,216	-	-	456,216
Development year 4	202,793	321,232	-	-	-	321,232
Development year 5	248,675	-	-	-	-	248,675
Current estimate of cumulative claims (A)	248,675	321,232	456,216	252,380	293,345	1,571,848
Cumulative payments to date (B)	(242,901)	(308,452)	(425,477)	(243,561)	(172,383)	(1,392,774)
	<u>5,774</u>	<u>12,780</u>	<u>30,739</u>	<u>8,819</u>	<u>120,962</u>	<u>179,074</u>
Provision for prior years						11,425
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)						190,499
Effect of discounting						(2,422)
Effect of risk adjustment for non-financial risk						4,705
Others*						3,150
Total Gross Liability for Incurred Claims						195,932

* Others include Takaful claims and other related payables

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

35. RISK MANAGEMENT (continued)

35.2 Sensitivity analysis

Sensitivity analysis for contracts measured under PAA

	31 December 2025		31 December 2024	
	LIC	Impact on LIC	LIC	Impact on LIC
Takaful Contract Liabilities	512,914	-	497,596	-
Takaful Contract Assets	(366,485)	-	(378,438)	-
	<u>146,429</u>	<u>-</u>	<u>119,158</u>	<u>-</u>
5% increase LIC				
Takaful Contract Liabilities	538,559	(25,646)	522,476	(24,880)
Takaful Contract Assets	(384,809)	18,324	(397,361)	18,921
	<u>153,750</u>	<u>(7,322)</u>	<u>125,115</u>	<u>(5,959)</u>
5% decrease LIC				
Takaful Contract Liabilities	487,268	25,646	472,716	24,880
Takaful Contract Assets	(348,161)	(18,324)	(359,517)	(18,922)
	<u>139,107</u>	<u>7,322</u>	<u>113,199</u>	<u>5,958</u>

Sensitivity analysis for contracts not measured under PAA

	31 December 2025		31 December 2024	
	LIC	Impact on LIC	LIC	Impact on LIC
Takaful Contract Liabilities	118,625	-	121,634	-
Retakaful Contract Assets	(69,122)	-	(60,647)	-
	<u>49,503</u>	<u>-</u>	<u>60,987</u>	<u>-</u>
5% increase LIC				
Takaful Contract Liabilities	124,557	(5,931)	127,716	(6,082)
Retakaful Contract Assets	(72,578)	3,456	(63,680)	3,032
	<u>51,979</u>	<u>(2,475)</u>	<u>64,036</u>	<u>(3,050)</u>
5% decrease LIC				
Takaful Contract Liabilities	112,694	5,931	115,553	6,082
Retakaful Contract Assets	(65,666)	(3,456)	(57,615)	(3,032)
	<u>47,028</u>	<u>2,475</u>	<u>57,938</u>	<u>3,050</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. RISK MANAGEMENT (continued)

35.3 Concentration of takaful risk

The Group's underwriting business is mainly based within GCC countries.

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Group, in the normal course of business, enters into arrangement with other parties for retakaful purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Retakaful ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the retakaful agreements.

The Group's Takaful contract liabilities classified based on business segment is noted below.

	31 December 2025			31 December 2024		
	<i>Non-Life</i> <i>AED '000</i>	<i>Life</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>	<i>Non-Life</i> <i>AED '000</i>	<i>Life</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Takaful contract liabilities – net	(592,138)	(1,886,748)	(2,478,886)	(590,712)	(2,004,704)	(2,595,416)
Retakaful contract assets – net	339,660	(3,704)	335,956	406,591	(57,275)	349,316

36. PROVISION FOR EXPECTED CREDIT LOSSES

	<i>Notes</i>	<i>ECL recorded</i> <i>on 1 Jan</i> <i>2025</i> <i>AED'000</i>	<i>Reversal</i> <i>recorded during</i> <i>the year</i> <i>AED'000</i>	<i>Closing</i> <i>Balance</i> <i>AED'000</i>
<i>ECL on Financial Assets</i>				
Investments - Financial instruments at FVOCI	11	59,311	-	59,311
Investments at Amortized Cost	11	175,064	(28,761)	146,303
Retakaful share of outstanding claims	18	548	-	548
Contributions and takaful balance receivables	18	4,171	-	4,171
Other assets and receivables	16	52,143	-	52,143
Bank balances and cash	17	1,653	-	1,653
Total		292,890	(28,761)	264,129

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37. OTHER OPERATING EXPENSES

	<i>31 December 2025 AED'000</i>	<i>31 December 2024 AED'000</i>
Staff costs	28,773	28,222
Depreciation	1,872	2,136
Rent	1,096	1,021
Movement in family takaful reserves	9,140	(5,313)
Software Licenses	2,136	2,386
Professional Services Fee	1,954	2,569
Others	23,791	21,049
	68,762	52,070

38. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To comply with the capital requirements required by UAE Federal Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Takaful Business
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Group is subject to local takaful solvency regulations with which it has complied during the year. The below summaries the minimum regulatory capital of the Group and the total held.

	<i>2025 AED'000</i>	<i>2024 AED'000</i>
Minimum regulatory capital	100,000	100,000
Total shareholders' equity	300,035	284,048

Section 2 of the Financial Regulations for Takaful Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to takaful liabilities. The solvency margin must be maintained at all times throughout the year. The Group acknowledges its responsibility to comply with relevant regulations and is actively undertaking measures. Corrective actions are being implemented to ensure ongoing and complete adherence to regulatory requirements.

The UAE Insurance Authority has issued resolution No. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing a takaful firm and AED 250 million for a retakaful firm. The resolution also stipulates that at least 51 percent of the capital of takaful companies established in the UAE should be owned by UAE or Gulf Cooperation Council national individuals or corporate bodies. The Company is complying with the above requirements.

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38. CAPITAL RISK MANAGEMENT (continued)

The Group is subject to solvency regulations which require Solvency Margin to be maintained at all times throughout the year. The Group is in non-compliance with the solvency regulations during the year and continuously assesses and monitors the solvency requirements and position by incorporating necessary policies and procedures.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund ("MGF") and Solvency Capital Requirement ("SCR") of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the Central Bank of UAE. The Group has disclosed the solvency position as of 31 December 2025 as following:

	<i>31 December 2025 AED'000</i>	<i>31 December 2024 AED'000</i>
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	170,681	169,463
Minimum Guarantee Fund (MGF)	150,179	154,740
Basic Own Funds	19,026	(18,398)
Ancillary Own Funds	140,000	140,000
MCR Solvency Margin - surplus/(deficit)	-	-
SCR Solvency Margin - surplus/(deficit)	(41,168)	(58,662)
MGF Solvency Margin - surplus/(deficit)	(20,666)	(43,938)
Subordinated Liabilities (limited)	80,974	118,398

39. FEES AND PENALTIES

During the year ended 31 December 2025, Group has paid fees and penalties amounting to AED 2 thousand (2024: AED 24 thousand).

40. DIVIDEND AND BOARD REMUNERATION

At the annual general meeting held on 30 April 2025, the shareholders have approved the Directors Remuneration fee subject to compliance with the rules and regulation. Subsequently, the Group has paid BOD remuneration of AED 1,676 thousand for the year ended 31 December 2024 (31 December 2023: AED 1,377 thousand). No dividend was approved for the year ended 31 December 2024 and 31 December 2023.

41. AUDIT REMUNERATION

Auditors' remuneration for the statutory audit of the Group's consolidated financial statements for the year ended 31 December 2025 amounts to AED 720 thousand (2024: AED 850 thousand). Auditors' remuneration for the review of the Group's interim condensed consolidated financial statements during the year ended 31 December 2025 amounts to AED 300 thousand (2024: AED 350 thousand). Fee for other statutory and other audit related services provided by the auditors to the Group amounts to AED thousand 240 thousand (2024: AED 255 thousand).

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 24 March 2026.

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43. GROSS TAKAFUL PREMIUM

As per the Central Bank of UAE reporting requirements, the following disclosures are provided which are not prepared under IFRS 17.

2025

<i>Description</i>	<i>Life Takaful (Without Medical & Fund Accumulation)</i>			<i>Property & Liability (Without Medical)</i>	<i>All Types of Business Combined</i>
	<i>AED'000</i>	<i>Fund Accumulation AED'000</i>	<i>Medical Insurance AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>	<i>(E)=(A)+(B)+(C)+(D)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Direct Written Contributions	490,249	-	295,632	177,623	963,504
Assumed Business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	491	491
Total Assumed Business	-	-	-	491	491
Gross Written Contributions	490,249	-	295,632	178,114	963,995

2024

<i>Description</i>	<i>Life Takaful (Without Medical & Fund Accumulation)</i>			<i>Property & Liability (Without Medical)</i>	<i>All Types of Business Combined</i>
	<i>AED'000</i>	<i>Fund Accumulation AED'000</i>	<i>Medical Insurance AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(A)</i>	<i>(B)</i>	<i>(C)</i>	<i>(D)</i>	<i>(E)=(A)+(B)+(C)+(D)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Direct Written Contributions	542,708	-	378,351	167,835	1,088,894
Assumed Business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	3,500	3,500
Total Assumed Business	-	-	-	3,500	3,500
Gross Written Contributions	542,708	-	378,351	171,335	1,092,394

44. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, Salama entered into two subscription arrangements with related parties, Humana Holding Limited (“Humana”) and Eshraq Investments P.J.S.C (“Eshraq”), for the issuance of mandatorily convertible sukuk certificates (“MCS”) through Amana SPV Ltd, a special purpose vehicle established in Abu Dhabi Global Market.

Humana Subscription Agreement:

On 4 March 2026, Salama executed a subscription agreement with Humana for MCS totaling AED 88,175,000, representing approximately 18% of the Company’s share capital.

Under the terms of the MCS, the instruments will be mandatorily exchanged and converted into new shares of the Company at a conversion price of AED 0.46 per share, based on a pre-agreed conversion formula and subject to regulatory approvals. The MCS are non-transferable, and the resulting shares will be subject to a 12-month lock-up period upon conversion.

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44. EVENTS AFTER THE REPORTING PERIOD (continued)

Eshraq Subscription Agreement:

On the same date, Salama entered into a similar subscription arrangement with Eshraq, under which Eshraq subscribed to MCS with a total value of AED 66,825,000, representing approximately 14% of the Company's share capital.

The MCS issued to Eshraq will be mandatorily converted into new shares at a conversion price of AED 0.46 per share, in accordance with a pre-agreed formula and subject to obtaining all necessary regulatory approvals. These MCS are non-tradable, with the resulting shares also subject to a 12-month lock-up period upon conversion.

Purpose and Strategic Impact

The proceeds generated from the issuance of the MCS instruments will be received through a commodity Murabaha transaction between Amana SPV Ltd (acting as trustee on behalf of the certificate holders) and the Company. The funds will be applied toward general corporate purposes, including capital optimization initiatives, and are intended to support the Company's strategy toward restoring profitability and positioning for sustainable growth.

Following an evaluation conducted by management, the Company's financial advisor, and the Board of Directors, it was concluded that these transactions will significantly enhance the Company's solvency ratios in accordance with CBUAE regulatory requirements, strengthen its capital base, and support long-term value creation for shareholders. The arrangements were independently assessed by third party valuation company, who confirmed that the terms are fair, reasonable, and in the best interest of shareholders.