OPERATING AND FINACIAL REVIEW

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Acting Chief Executive Officer

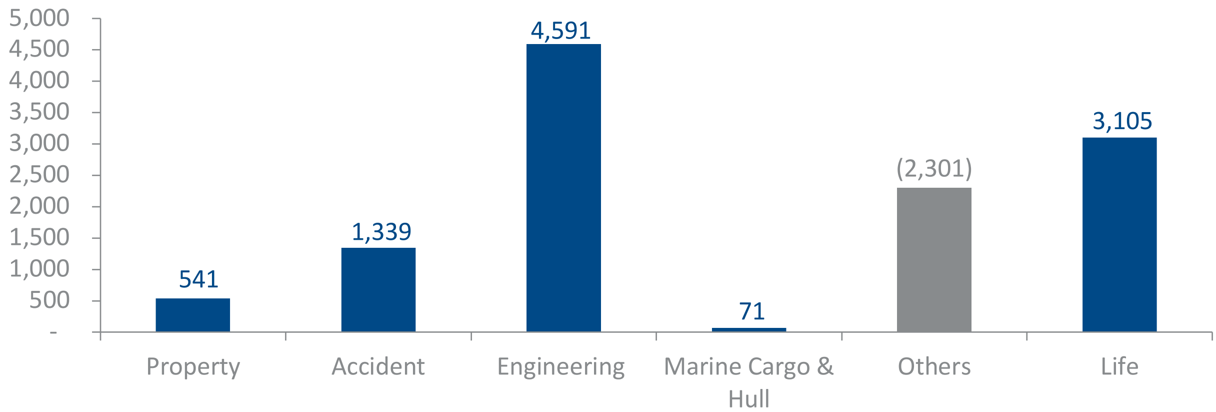
BUSINESS REVIEW

Reinsurance Performance

Arig reported US$ 1.6 million insurance revenue for the year 2024 (2023: insurance revenue US$ 1.2 million). The increase in insurance revenue was mainly due to higher recognition of the contractual service margin of the life portfolio. Insurance service expenses was positive, US$ 8.2 million for the year 2024 (2023: US$ 3.5 million) mainly due to favorable claims experience.

Overall insurance service results for the Group was US$ 7.3 million (2023: US$ 2.6 million) primarily due to favorable adjustments to the liability for claims incurred in 2024 as compared to 2023.

Group Insurance Service Result by line (in US$ 000)



INVESTMENTS

The Financial Markets

The year 2024 was a year of consolidation for the global economy. There was modest economic growth accompanied by a decline in inflation, which gave the major central banks an impetus to reduce short-term rates. The US Federal Reserve decreased its benchmark Fed Funds rate by 100 basis points in the year to 4.5%. The ECB and the Bank of England also reduced their lending rates.

The decrease in short-term rates had a positive effect on the equity markets. The Morgan Stanley Global Equity Index rose 17%.

Yields on government securities, especially short-term bonds, continued to stay elevated relative to historical levels. The benchmark US five-year US Treasury Note averaged 4.12% in the year. The environment remained favorable for predominantly cash and fixed-income investors like Arig

Investment Strategy and Performance

Arig's portfolio places a premium on liquidity and safety to service volatile reinsurance liabilities. Allocations to traded equities and alternative investments are out of shareholder's funds. Policyholder funds are invested only in cash and bonds.

In 2024, we focused on investing in short-term US Treasuries to capitalize on the prevailing high yields. Maturing deposits and maturing bonds were reinvested either in three- or five-year US Treasuries. By taking these actions, we have locked attractive rates while minimizing risk to the portfolio.

The parent company's investment income was US$ 14.2 million (2023: US$ 14.2 million). Group Investment income was US$ 14.7 million (2023: US$ 14.7 million). The overall yield on the Group Investment Portfolio was 3.9% (3.8% in 2023).

Outlook

Arig will continue to manage the current low-risk portfolio within the Company's current priorities and our standing obligation to policyholders and shareholders. Our overarching objectives continue to be conservative portfolio allocation, preservation of capital, and providing liquidity at short notice.

SUBSIDIARIES

Takaful Re Limited (TRL)

The Group's Islamic reinsurance subsidiary TRL, in run-off since April 2016, reported a loss of US$ 0.1 million (2023: profit US$ 0.8 million) for the year. Group's share in the loss was US$ 0.06 million (2023: profit US$ 0.4 million).

TRL's investments yielded an average return of 2.1% (2023: 1.8%) with investment earnings of US$ 0.5 million (2023: US$ 0.5 million). The Company's investments assets were almost entirely held in cash and short-term Islamic deposits.

Gulf Warranties (GWL)

Gulf Warranties, the Group's subsidiary under liquidation, reported a profit of US$ 3.6 million to the Group's results for the year (2023: profit US$ 0.7 million) due to the release of provisions following the reassessment of liabilities.

Arig Capital Limited (ACL)

ACL, the wholly owned corporate member at Lloyd's of London, ceased writing new business from 1 January 2020. ACL recorded profit of US$ 0.2 million for the year (2023: loss US$ 0.3 million) mainly due to reversal of run-off provisions.