

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	2025	(US\$'000) 2024
ASSETS			
Cash and bank balances	6	41,334	53,430
Investments	7	297,243	306,594
Accrued interest		2,499	2,596
Reinsurance contract assets	9	8,196	7,775
Other assets	10	1,204	1,152
Property and equipment	11	4,682	5,058
TOTAL ASSETS		355,158	376,605
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance contract liabilities	12	74,220	77,793
Reinsurance contract liabilities	9	4,122	4,130
Other liabilities	16	1,507	4,196
TOTAL LIABILITIES		79,849	86,119
EQUITY			
Attributable to shareholders of parent company	17		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		54,178	48,146
Retained earnings		8,337	29,411
		267,722	282,764
Non-controlling interests	18	7,587	7,722
TOTAL EQUITY		275,309	290,486
TOTAL LIABILITIES AND EQUITY		355,158	376,605

These consolidated financial statements were approved by the Board of Directors on 12 February 2026 and signed on its behalf by:

Mansour Shams Alkhoori
Chairman

Abdulla Nooruddin Abdulla
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AS AT 31 DECEMBER 2025

	Note	2025	(US\$'000) 2024
Insurance revenue	19	1,017	1,615
Insurance service expenses	20	(4,491)	7,887
Net expense from reinsurance contracts held	21	(1,189)	(2,539)
Insurance service result		(4,663)	6,963
Investment income	23	12,263	14,727
Insurance finance expenses	24	(4,256)	(3,983)
Reinsurance finance income	25	410	316
Financial insurance result		8,417	11,060
Other expenses and provisions	26	(1,236)	(2,654)
Other income	27	1,173	11,019
Profit for the year		3,691	26,388
Attributable to:			
Non-controlling interests		(222)	(54)
Shareholders of parent company		3,913	26,442
		3,691	26,388
Earnings per share attributable to shareholders (basic and diluted):	28 (US cents)	2.0	13.3

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CONSOLIDATED STATEMENT OF COMPREHNSIVE INCOME

AS AT 31 DECEMBER 2025

			(US\$'000)
	Note	2025	2024
Profit for the year		3,691	26,388
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Fair value changes on investment at fair value through other comprehensive income		5,794	1,747
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	23	(111)	(183)
Items that will not be reclassified to profit or loss:			
Revaluation of property		213	-
Other comprehensive income for the year		5,896	1,564
Total comprehensive income for the year		9,587	27,952
Attributable to:			
Non-controlling interests		(135)	42
Shareholders of parent company		9,722	27,910
		9,587	27,952

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2025

(US\$'000)

	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
2025										
Balances at 31 December 2024	220,000	(14,793)	47,292	(1,499)	2,353	48,146	29,411	282,764	7,722	290,486
Profit (loss) for the year	-	-	-	-	-	-	3,913	3,913	(222)	3,691
Fair value changes on investment at fair value through other comprehensive income	-	-	-	5,706	-	5,706	-	5,706	88	5,794
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(110)	-	(110)	-	(110)	(1)	(111)
Revaluation of property	-	-	-	-	213	213	-	213	-	213
Total comprehensive income for the year	-	-	-	5,596	213	5,809	3,913	9,722	(135)	9,587
Dividends paid	-	-	-	-	-	-	(24,764)	(24,764)	-	(24,764)
Transfer of net depreciation on revalued property	-	-	-	-	(168)	(168)	168	-	-	-
Transfer to (from) non-distributable reserves	-	-	391	-	-	391	(391)	-	-	-
Balances at 31 December 2025	220,000	(14,793)	47,683	4,097	2,398	54,178	8,337	267,722	7,587	275,309

(US\$'000)

	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
2024										
Balances at 31 December 2023	220,000	(14,793)	44,648	(2,967)	2,540	44,221	45,049	294,477	13,200	307,677
Profit (loss) for the year	-	-	-	-	-	-	26,442	26,442	(54)	26,388
Fair value changes on investment at fair value through other comprehensive income	-	-	-	1,651	-	1,651	-	1,651	96	1,747
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(183)	-	(183)	-	(183)	-	(183)
Total comprehensive income for the year	-	-	-	1,468	-	1,468	26,442	27,910	42	27,952
Dividends paid	-	-	-	-	-	-	(39,623)	(39,623)	-	(39,623)
Transfer of net depreciation on revalued property	-	-	-	-	(187)	(187)	187	-	-	-
Transfer to (from) non-distributable reserves	-	-	2,644	-	-	2,644	(2,644)	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	-	(5,520)	(5,520)
Balances at 31 December 2024	220,000	(14,793)	47,292	(1,499)	2,353	48,146	29,411	282,764	7,722	290,486

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2025

			(US\$'000)
	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		88	1,075
Reinsurance premiums paid		(812)	(1,394)
Claims and acquisition costs paid		(6,526)	(7,359)
Reinsurance receipts in respect of claims		105	275
Investment income		484	291
Interest income		604	888
Operating expenses paid		(8,508)	(8,213)
Other (expenses) income, net		(2,342)	5,922
Insurance deposits received (paid), net		3,382	508
Purchase of investments at fair value through profit or loss		(53)	(62)
Sale of investments at fair value through profit or loss		10,900	1,647
Net cash used in operating activities	29	(2,678)	(6,422)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		82,787	26,909
Purchase of investments		(79,538)	(165,199)
Term deposits with bank		61	158,240
Interest income		12,272	16,357
Investment income		3	8
Collateralised cash deposits		-	7,376
Purchase of property and equipment		(178)	(16)
Purchase of intangible assets		-	(17)
Net cash provided by investing activities		15,407	43,658
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(24,764)	(39,623)
Subsidiary's capital reduction - minority interests		-	(5,520)
Net cash used in financing activities		(24,764)	(45,143)
Net decrease in cash and cash equivalents		(12,035)	(7,907)
Cash and cash equivalents, beginning of year		32,525	40,432
Cash and cash equivalents, end of year		20,490	32,525
Term deposits with bank		20,844	20,905
Cash and bank balances, end of year		41,334	53,430

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the “Company”, “parent company”) is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the “Group”) are involved in provision of general (non-life) and life reinsurance and related service activities.

The Board in its meeting held on 13 May 2019 resolved to recommend to the shareholders the cessation of the Company’s underwriting activities. In an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board’s recommendation and placed the insurance portfolio in run-off. The Company has sought the approval of CBB to implement the resolution of the shareholders.

The board of directors expect the proposed run-off of the existing insurance portfolio to take more than 12 months and have assessed that the Company will continue to operate as a going concern for at least 12 months from the date of these consolidated financial statements. Therefore, these consolidated financial statements have been prepared on going concern basis.

2. BASIS OF ACCOUNTING AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in conformity with the requirements of the Commercial Companies Law 2001, as amended.

Comparative figures have been regrouped where necessary, to conform to the current year’s presentation.

These consolidated financial statements were authorized for issue by the board of directors on 12 February 2026.

a) Functional and presentation currency

The Group’s financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

b) Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF ACCOUNTING AND MEASUREMENT (CONTD.)

c) Improvements / amendments to IFRS Accounting Standards

Improvements/amendments to IFRS Accounting standards contained numerous amendments to IFRS Accounting standards that the IASB considers non-urgent but necessary. 'Improvements to IFRS Accounting standards' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS Accounting standards. The amendments are effective for the Group's future accounting year with earlier adoption.

Standards, amendments and interpretations issued and effective in 2025

The following new amendments to existing standards and interpretations to published standards are mandatory for accounting year beginning on or after 1 January 2025 or subsequent periods.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2025

Standards, amendments and interpretations issued but not yet effective in 2025

The following new/amended accounting standards and interpretations have been issued, but are not mandatory and hence, have not been adopted in preparing these financial statements for the year ended 31 December 2025 and will or may have an effect on the Group's future financial statements. In all cases, the Group intends to apply these standards from application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IFRS 9	Financial Instruments	1 January 2026
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

Early adoption of amendments or standards in 2025

The Group did not early-adopt any new or amended standards in 2025. There would have been no change in the operational results of the Group for the year ended 31 December 2025 had the Group early adopted any of the above standards applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and all of its subsidiaries made up to 31 December 2025.

Subsidiaries are defined as entities that are controlled by the Group, on the basis of

- i) power over the entity;
- ii) the exposure to variable returns from the entity; and
- iii) the ability to use its power to affect the amount of returns.

The purchase method is used to account for acquisitions.

All intra-group transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation. Where necessary, the accounts of subsidiaries have been restated to ensure consistency with the accounting policies adopted by the Group, except for Takaful Re Limited and Gulf Warranties W.L.L. which are prepared under non going concern basis and not under IFRS 17.

Non controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

A listing of the principal subsidiaries is set out in note 32.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

INSURANCE CONTRACT ASSETS AND LIABILITIES

Insurance and reinsurance contracts classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from cedants. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. The Group issues life and non-life insurance policies. Non-life insurance products include property, marine, engineering, accidents and others. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage because of a policyholder's accident. The Group does not issue any contracts with direct participating features.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

Insurance and reinsurance contracts accounting treatment

a) Level of aggregation

The Group determines the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator.

However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

b) Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

The Group recognises a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
- The date the Group recognises an onerous group of underlying insurance contracts.

c) Contract boundary

Insurance contracts

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance 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 premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance 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.

Reinsurance contracts

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 ends 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.

d) Premium Allocation Approach (PAA)

The following table summarises the accounting policy choices adopted by the Group:

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for one year or less and so qualifies automatically for PAA. For contracts with coverage period greater than one year where there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

	IFRS 17 Options	Adopted approach
Insurance acquisition cash flows for insurance contracts issue.	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For all business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For all businesses, there is no allowance as the premiums are received within one year of the coverage period. Where the premium due date and the related period of services are more than 12 months the Group has assessed the amount as immaterial, as such no discounting is required.
Liability for Incurred Claims, (LFIC) adjusted for time value of money.	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all businesses, the LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	For all business, the Group does not disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.

e) Initial measurement

Contracts measured under the PAA

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

For all businesses, the liability for remaining coverage is not discounted to reflect the time value of money and the effect of financial risk. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract.

Such onerous contracts are separately grouped from other contracts and 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 has adopted Premium Allocation Approach (PAA) measurement model for all lines except for long-term life business where General Measurement Model (GMM) was applied.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

Reinsurance contracts measured under the PAA

The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the Contractual Service Margin (CSM).

Contracts not measured under the PAA

On initial recognition, the Group measures a group of insurance contracts as the total of:

- a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- b) the CSM.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of:

- a) the fulfilment cash flow;
- b) any cash flows arising at that date;
- c) any amount arising from the derecognition of assets for insurance acquisition cash flows; and
- d) any amount arising from the derecognition of any assets or liabilities previously recognised for other cash flows related to the group is a net inflow, then the group is not onerous.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

f) Subsequent measurement

Contracts measured under PAA

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 premiums received in the period:
- Minus any insurance acquisition cash flows at that date, unless the entity chooses to recognize the payment as an expense
- Plus any amounts relating to the amortisation of the insurance 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 insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims if any

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).

The Group adjusts the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected. Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is 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.

For Non-life contracts the Group estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques.

Contracts not measured under PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

g) Currency difference

The CSM of contracts written in a different currency to the insurer's functional currency will be attached by changes in currency exchange rates.

h) Discount Rates

Discounting is a part of the LFRC estimates for GMM portfolios. For its PAA portfolios, the LFRC was not discounted as the time between providing each part of the coverage and the related premium due date is expected, at initial recognition, to be less than a year. For some contracts that have a coverage period of more than a year, the premiums are paid in advance and therefore discounting might be applicable however, the impact has been assessed and on the grounds of materiality, discounting is not applied. Discounting was applied for LFIC for both GMM and PAA portfolios as there are a set of claims is settled beyond 12 months from the date they are incurred. Discounting was applied to the fulfilment cash flows related to future coverage used in the determination of the onerous loss for the onerous group of contracts.

The Bottom-Up approach is used to determine the required discount rates on yield curve basis.

Reinsurance contracts held - initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on to the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Reinsurance contracts held - subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

i) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group uses a systematic and rational method to allocate insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of consolidated financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the consolidated statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

j) Contracts derecognition and modification

The Group derecognises a contract when it is extinguished- i.e. when the specified obligations in the contract expire or are discharged or cancelled.

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FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group generally treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

For a group of contracts not measured under the PAA, a contract is derecognised from the group of contracts by making the following adjustments:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component or where the group has no remaining coverage period; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous or where the group has no remaining coverage period.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

For a group of contracts measured under the PAA, a contract is derecognised from the group by removing the portion of the carrying amount of the group that relates to the rights and obligations extinguished. The difference between the carrying amount derecognised and any consideration paid is recognised in profit or loss.

I. Insurance revenue

Contracts measured under PAA

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component if any) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made based on the expected timing of incurred insurance service expenses and release of risk.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

Contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations - i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year.

II. Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

III. Loss-recovery components

The Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

IV. Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- *Incurred claims and other insurance service expenses:* For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- *Amortisation of insurance acquisition cash flows:* For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts. Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

V. Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

For a group of reinsurance contracts covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

VI. Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in the profit or loss statement.

VII. Net income or expense from reinsurance contracts held

The Group presents the amount expected to be recovered from reinsurers, and allocation of reinsurance premium paid together as Net income / (expense) from reinsurance contracts separately on the face of the consolidated statement of profit or loss. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the consolidated statement of profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, bank balances and short-term highly liquid assets (placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day to day operations of the Group are not included in cash and cash equivalents.

INVESTMENTS

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Initial recognition

Financial assets and liabilities are initially recognised on the settlement date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Insurance receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

ii. Measurement categories of financial assets and liabilities

The Group classifies financial assets based on the business model and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Financial liabilities are measured at amortised cost.

Business Model Assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management.

Solely for Payment of Principal and Interest (SPPI)

In assessing whether the contractual cash flows are Solely for Payment of Principal and Interest (SPPI), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Initial Recognition

a) Financial investments at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

b) Debt instruments at Fair value through other comprehensive income (FVOCI)

The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from the consolidated OCI to the consolidated profit or loss.

c) Financial assets and Financial liabilities at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value.

Subsequent measurement and gains and losses

a) Financial assets at fair value through profit or loss (FVTPL)

Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

b) Debt investments at fair value through other comprehensive income (FVOCI)

Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve.

c) Financial assets at amortised cost

Measured at amortised cost using the effective interest method.

Impairment of financial assets

a) Expected credit loss (ECLs)

The Group calculates ECLs based on probability-weighted scenarios.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD") represents the carrying value at the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Fair values are measured using market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation (see note 31).

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

INVESTMENT IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for using the equity method, they are initially recognised at cost less any adjustment necessary for impairment. When the Group's share of losses exceeds its interest the carrying amount of the investment including all adjustments is reduced to Zero. Associated companies are defined as those companies over which the Group is able to exercise significant influence but not control or joint control over the financial and operating policy decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

INTANGIBLE ASSETS

Expenditure on software, patents, present value of future profits on acquisition of portfolio and licenses are capitalised and amortised using the straight line basis over their expected useful lives, not exceeding a period of 5 years.

Costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and has a probable benefit exceeding the costs beyond one year, are recognised as intangible assets. Costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure, which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. The carrying amount of intangible assets is reviewed annually and adjusted for impairment where it is considered necessary.

PROPERTY & EQUIPMENT

Property & equipment are stated at cost less accumulated depreciation except for land and building which are carried at their revalued amount being fair value on date of valuation on a rolling basis by independent external valuers, less accumulated depreciation. On revaluation, any increase in the carrying amount of the asset is carried in the shareholders' equity as Property Revaluation Reserve and any decrease is recognised as an expense, except to the extent that it reverses decreases or increases previously recognised through income or shareholders' equity. The balance in the Property Revaluation Reserve is transferred directly to Retained Earnings on sale of property and realization of surplus. Further, the difference between depreciation based on the revalued carrying amounts and the depreciation based on original cost of the property is transferred directly from Property Revaluation Reserve to Retained Earnings.

The cost of additions and major improvements are capitalised; maintenance and repairs are charged to expense as incurred. Gains or losses on disposal are reflected in other income. Depreciation is provided on straight-line basis over the expected useful lives of the assets, which are as follows:

Building	40	years
Electrical and mechanical	20	years
Information systems, furniture, equipment and others	3-5	years

Useful lives and residual values are reassessed at each reporting period and adjusted accordingly. At each reporting date, the Group reviews the carrying amounts to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Employee entitlements are recognised when they accrue to employees, with a provision being carried for the estimated liability as a result of services rendered upto the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

POST EMPLOYMENT OBLIGATIONS

The Group operates a defined benefit plan for its employees.

For defined benefit plans, the accounting cost is charged to the consolidated statement of profit or loss so as to spread it over the expected service lives of employees. The accounting costs under these plans are measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

In accordance with the Social Insurance Organisation ("SIO") regulations made through resolution no. 109 of 2023, effective from 1 March 2024, the employer needs to pay the end-of-service contribution to SIO in accordance with the provisions of the Bahrain Labour Law in respect of the expatriate employees registered with SIO. SIO shall disburse the contributed amount to employees on completion of the employment term. The amount accrued by the Company until 28 February 2024 and the excess amount after the SIO contribution, shall be maintained and settled by the Company with the respective employee.

TREASURY STOCK

Treasury stock representing shares purchased by the parent company or its consolidated subsidiaries are carried at cost with the exception of holdings as on the date of capital reduction, 4 July 2002, which are carried at nominal value. All treasury stock is presented as a deduction from shareholders' equity and gains and losses from sale of these shares are presented as a change in shareholders' equity.

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Interest is recognised on the effective interest rate method and dividends are recognised when declared. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of investments designated at fair value through other comprehensive income are recognised in other comprehensive income and carried in investment revaluation income as part of equity.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

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.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. All monetary and non-monetary assets and liabilities carried at fair value denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation are taken to income except in respect of non-monetary available for sale investments, which are taken to other comprehensive income until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries are included in equity. Other foreign currency gains and losses are taken to income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- i) Notes 3, 6 and 7 - impairment of financial assets.
- ii) Note 3 - classification of financial assets.
- iii) Note 3 - classification of insurance, reinsurance contracts.
- iv) Note 3 - level of aggregation of insurance and reinsurance contracts.
- v) Notes 3 and 12 - measurement of insurance and reinsurance contracts.

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2025 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- i) Notes 6 and 7 - impairment of financial assets: ECL measurement
- ii) Note 7 - measurement of the fair value of financial instruments.

c. Going concern

At the Extraordinary General Meeting (EGM) on 13 August 2020, the Shareholders had decided to cease writing business and place the insurance portfolio in runoff. The Shareholders also authorised the Board of Directors to look for potential buyers to divest their shares in the company or sale of re-insurance portfolio of the Company. This decision to cease writing business had a significant impact on the strategic direction and future of the Company. The company has sought the approval of CBB to implement the resolution of the shareholders.

As there are risks relating to contracts from both life & non-life book have not yet expired and will only expire after considerable time, Management expect that the proposed run-off of the existing insurance portfolio will take more than 12 months. The company is highly liquid with cash and short-term deposits (less than 3 months) of US\$ 20.5 million as on 1 Jan 2026 and has surplus capital as compared to its book of business.

The Company is continuing with its other activities including that of managing investments representing the Shareholders and Policyholders funds.

Considering the above, it is expected that the Company would be a going concern in the next 12 months. Therefore, the consolidated financial statements have been prepared on going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. MANAGEMENT OF INSURANCE RISK

The Group's activities expose it to a variety of financial and other risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk, underwriting risk and liquidity risk.

The following is a summary of policies adopted to mitigate the key insurance risks facing the Group:

i) Underwriting risks:

The Group manages its underwriting risks principally through policies and guidelines and reinsurance arrangements.

The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements.

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 practices involve the use of actuarial analysis and application of underwriting judgement. These are supplemented by periodical independent actuarial reviews for determining the adequacy of reserves.

ii) Credit risks:

Credit risk under insurance contracts is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is controlled through terms of trade for receipt of premium and in certain cases enforcement of premium warranty conditions. Most of the counterparties are insurance companies that are generally not rated. However, there are no significant exposures from any one counterparty.

Reinsurance arrangements are effected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria. Exposure to any single reinsurer generally does not exceed a maximum of 25% of total exposure and risks are generally placed with counterparties with minimum investment grade rating except for proportional treaty arrangements placed on reciprocal basis.

iii) Currency risks:

As the Company writes business in various currencies, it is exposed to currency risk. Foreign exchange currency risks are hedged where exposures are significant and facility to hedge is available.

	(US\$ '000)				
2025	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	139	(1,383)	(2,151)	(6,560)	(9,001)

	(US\$ '000)				
2024	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	106	(1,313)	(2,332)	(6,675)	(9,928)

iv) Liquidity risks:

Liquidity risk is the risk that cash may not be available to pay obligations when due. Limits have been specified in the investment policy and guidelines that requires a significant portion of investment funds representing insurance liabilities to be held in cash or readily marketable debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. MANAGEMENT OF INSURANCE RISK (CONTD.)

v) Discount rates used:

	2025	2024
Less than 12 months	3.64%	4.29%
More than 12 months	3.83%	4.31%

vi) Sensitivity analysis:

The sensitivity of the Group's income to market risks is as follows:

	2025	2024
	(US\$ '000)	
10% increase in US Dollar exchange rate	3,193	3,525
10% decrease in US Dollar exchange rate	(3,903)	(4,308)

The sensitivity based on PAA approach for insurance / reinsurance contract liabilities for parent company is shown below:

	2025	(US\$ '000)		
PAA business	Changes in assumption %	Insurance contract liabilities	Reinsurance contract assets	Net liabilities
Discount rate +1%	1.0%	1,364	(149)	1,215
Discount rate -1%	-1.0%	(1,557)	154	(1,403)
Risk adjustment +2.5%	2.5%	(1,511)	173	(1,338)
Risk adjustment -2.5%	-2.5%	411	(27)	384

	2024	(US\$ '000)		
PAA business	Changes in assumption %	Insurance contract liabilities	Reinsurance contract assets	Net liabilities
Discount rate +1%	1.0%	1,446	(140)	1,306
Discount rate -1%	-1.0%	(1,494)	144	(1,350)
Risk adjustment +2.5%	2.5%	(1,537)	165	(1,371)
Risk adjustment -2.5%	-2.5%	459	(23)	436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. MANAGEMENT OF INSURANCE RISK (CONTD.)

The impact on CSM, profit or loss and on equity for parent company is shown below:

2025		(US\$ '000)					
GMM business	Changes in assumption %	Impact on CSM		Impact on p & l		Impact on equity	
		Gross	Net	Gross	Net	Gross	Net
Risk adjustment -2.5%	-2.5%	(3)	(3)	44	44	44	44
Risk adjustment +2.5%	2.5%	3	3	(44)	(44)	(44)	(44)
Discount rate -1%	-1.0%	-	-	(145)	(145)	(145)	(145)
Discount rate +1%	1.0%	-	-	134	134	134	134

2024		(US\$ '000)					
GMM business	Changes in assumption %	Impact on CSM		Impact on p & l		Impact on equity	
		Gross	Net	Gross	Net	Gross	Net
Risk adjustment -2.5%	-2.5%	10	10	57	57	57	57
Risk adjustment +2.5%	2.5%	(10)	(10)	(81)	(81)	(81)	(81)
Discount rate -1%	-1.0%	-	-	(167)	(167)	(167)	(167)
Discount rate +1%	1.0%	-	-	152	152	152	152

2025		(US\$ '000)	
GMM business	Changes in assumption %	Insurance contract liabilities	Net Insurance liabilities
Risk adjustment -2.5%	-2.5%	44	44
Risk adjustment +2.5%	2.5%	(44)	(44)
Discount rate -1%	-1.0%	(145)	(145)
Discount rate +1%	1.0%	134	134

2024		(US\$ '000)	
GMM business	Changes in assumption %	Insurance contract liabilities	Net Insurance liabilities
Risk adjustment -2.5%	-2.5%	57	57
Risk adjustment +2.5%	2.5%	(81)	(81)
Discount rate -1%	-1.0%	(167)	(167)
Discount rate +1%	1.0%	152	152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. CASH AND BANK BALANCES

	(US\$ '000)	
	2025	2024
Cash and bank balances	20,427	28,566
Deposits with maturity of 3 months or less	100	4,000
Cash and cash equivalents	20,527	32,566
Deposits with maturity over 3 months	20,844	20,905
Expected credit losses	(37)	(41)
	41,334	53,430

Details of significant terms and conditions, exposures to credit, interest rate and currency risks are as follows:

i) Credit risk:

Bank balances and deposits with short term maturities are held with leading financial institutions. The Group limits its concentration of time deposits with any one financial institution to a maximum of 10% of shareholders' equity.

ii) Interest rate risk:

	(US\$ '000)	
	2025	2024
Interest receivable basis:		
- Bank balances	Daily/Monthly	Daily/Monthly
- Deposits with short term maturities	On maturity	On maturity
Effective rates	0.01% - 4.75%	0.01% - 5.05%

As the deposits are short term maturities, there is no sensitivity to interest rate fluctuation.

iii) Currency risk:

	US\$ '000	
	2025	2024
U.S. Dollar	37,241	48,399
Bahraini Dinar	3,455	3,916
UAE Dirham	156	367
Pound Sterling	206	306
Euro	230	273
Other	46	169
	41,334	53,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. INVESTMENTS

		(US\$ '000)
	2025	2024
At fair value through profit or loss		
Debt securities		
- Investment grade	9,383	19,050
Common stock of unlisted companies	688	1,013
Other equity type investment	4,316	6,077
	14,387	26,140
At fair value through other comprehensive income		
Debt securities		
- Supra-nationals and OECD country governments	248,655	214,950
- Investment grade	19,609	29,025
- Other	13,350	35,304
Common stock of unlisted companies	1,000	1,000
	282,614	280,279
Investment in associate	569	550
	297,570	306,969
Expected credit losses	(327)	(375)
	297,243	306,594

Details of significant exposures to credit, interest rate and currency risks on investments are as follows:

i) Credit risk:

The Group limits its investment concentration in debt securities in any one investee and in any one industry group to 10% and 20% respectively, of the total debt securities portfolio. These restrictions do not apply to US treasuries.

ii) Debt securities - interest rate risk:

2025	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Semi-annual	3.500% - 4.625%	3.500% - 4.625%
Investment grade debt securities	Semi-annual	2.500% - 4.500%	2.500% - 4.500%
Other debt securities	Semi-annual	1.959% - 2.950%	1.959% - 2.950%
2024	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Semi-annual	3.500% - 5.000%	3.500% - 5.000%
Investment grade debt securities	Semi-annual	1.625% - 5.839%	1.625% - 5.839%
Other debt securities	Semi-annual	1.740% - 5.500%	1.740% - 5.500%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. INVESTMENTS (CONTD.)

iii) Debt securities - currency risk:

	(US\$ '000)		
2025	U.S. Dollar	Bahraini Dinar	Total
Supra-nationals and OECD country government securities	248,655	-	248,655
Investment grade debt securities	28,992	-	28,992
Other debt securities	13,350	-	13,350
	290,997	-	290,997

	(US\$ '000)		
2024	U.S. Dollar	Bahraini Dinar	Total
Supra-nationals and OECD country government securities	214,950	-	214,950
Investment grade debt securities	48,075	-	48,075
Other debt securities	31,336	3,968	35,304
	294,361	3,968	298,329

iv) Debt securities - remaining term to maturity:

The principal amount and book values of debt securities are shown in the table below by contractual maturity.

	2025		2024	
	Principal Amount	Book value	Principal amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	-	-	50,000	50,176
- One to five years	206,000	209,212	166,000	164,774
- More than five years	39,000	39,443	-	-
	245,000	248,655	216,000	214,950
Debt securities of investment grade issuers:				
- Due in one year or less	12,000	11,890	12,000	11,871
- One to five years	11,000	10,708	31,500	30,018
- More than five years	6,500	6,394	6,500	6,186
	29,500	28,992	50,000	48,075
Other debt securities:				
- Due in one year or less	14,633	13,350	18,614	17,166
- One to five years	-	-	19,000	18,138
	14,633	13,350	37,614	35,304
	289,133	290,997	303,614	298,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. INVESTMENTS (CONTD.)

v) Common stock:

Common stocks have no fixed maturity dates and are generally not exposed to interest rate risk. However, they are subject to price risk and its sensitivity is shown in note 8. Dividends are generally declared on an annual basis.

The book value of common stock classified by currencies in which they are denominated are as follows:

	(US\$ '000)	
	2025	2024
U.S. Dollar	1,688	2,013
	1,688	2,013

vi) Commitments outstanding:

The Group has commitments in respect of uncalled capital in at fair value through profit or loss investments amounting to US\$ 2.2 million (31 December 2024: US\$ 5.4 million).

8. SENSITIVITY ANALYSIS

The sensitivity of the Group's profit or loss and total equity to market risks on its cash and cash equivalents and investments is as follows:

	(US\$ '000)			
	2025		2024	
	Income	Equity	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves- debt instruments	(270)	(9,054)	(476)	(7,926)
– 100 basis points shift in yield curves- debt instruments	272	7,223	290	3,301
Currency risk				
10% increase in US Dollar exchange rate	(372)	-	(820)	-
10% decrease in US Dollar exchange rate	455	-	998	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

9. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS

(US\$ '000)

2025	LfRC*		LfIC for contracts measured under PAA		Total
	Excl. LC	LC*	PVCF*	RA*	
Opening reinsurance contract assets	263	-	7,493	19	7,775
Opening reinsurance contract liabilities	(3,581)	-	(561)	12	(4,130)
	(3,318)	-	6,932	31	3,645
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(787)	-	-	-	(787)
- Changes that relate to past services-adjustments to LIC*	-	-	(21)	2	(19)
- Expenses directly attributable to reinsurance	-	-	(383)	-	(383)
Reinsurance finance income through profit or loss	-	-	410	-	410
Net foreign exchange income or expense	-	-	-	-	-
Total changes in statement of profit or loss and OCI*	(787)	-	6	2	(779)
Premiums paid to reinsurer net of commission	806	-	-	-	806
Directly attributable expenses paid	-	-	465	-	465
Recoveries from reinsurance	-	-	(63)	-	(63)
Total cash flows	806	-	402	-	1,208
Closing reinsurance contract assets**	980	-	7,193	23	8,196
Closing reinsurance contract liabilities**	(4,279)	-	147	10	(4,122)
	(3,299)	-	7,340	33	4,074

* LIC / LfIC- Liability for incurred claims

* LfRC - Liability for remaining coverage

* PVCF - Present value of cash flow

* RA - Risk adjustment

* LC - Loss components

* OCI - Other comprehensive income

** The reinsurance contract assets and liabilities are grossed up and shown in the financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

9. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS (CONTD.)

	(US\$ '000)				
2024	LfRC*		LfIC for contracts measured under PAA		Total
	Excl. LC	LC	PVCF	RA	
Opening reinsurance contract assets	(757)	-	7,367	36	6,646
Opening reinsurance contract liabilities	(2,581)	-	243	11	(2,327)
	(3,338)	-	7,610	47	4,319
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(1,191)	-	-	-	(1,191)
- Changes that relate to past services-adjustments to LIC	-	-	(832)	(16)	(848)
- Expenses directly attributable to reinsurance	-	-	(473)	-	(473)
Reinsurance finance income through profit or loss	-	-	315	-	315
Net foreign exchange income or expense	-	-	-	-	-
Total changes in statement of profit or loss and OCI	(1,191)	-	(990)	(16)	(2,197)
Premiums paid to reinsurer net of commission	1,211	-	-	-	1,211
Directly attributable expenses paid	-	-	504	-	504
Recoveries from reinsurance	-	-	(192)	-	(192)
Total cash flows	1,211	-	312	-	1,523
Closing reinsurance contract assets**	263	-	7,493	19	7,775
Closing reinsurance contract liabilities**	(3,581)	-	(561)	12	(4,130)
	(3,318)	-	6,932	31	3,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. OTHER ASSETS

	(US\$ '000)	
	2025	2024
Intangible assets		
- Computer software	9,730	10,010
	9,730	10,010
Less: Accumulated amortization	(9,406)	(9,677)
	324	333
Other assets		
- Collateralised cash deposits	342	342
- Other receivables	209	32
- Prepayments	329	445
	880	819
	1,204	1,152
Movement in intangible assets:		
Net book value at 1 January	333	325
- Additions	-	17
- Amortization charge	(9)	(9)
Net book value at 31 December	324	333

Collateralised cash deposits have been pledged as security for reinsurance trust agreements, and guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. PROPERTY AND EQUIPMENT

	(US\$ '000)	
	2025	2024
Land	1,552	1,972
Building	3,357	3,144
Furniture and fixtures	6,262	6,920
Hardware	1,930	2,225
Office equipment	385	411
Others	533	671
	14,019	15,343
Less: Accumulated depreciation and impairment		
Building	(488)	(320)
Furniture and fixtures	(6,253)	(6,909)
Hardware	(1,772)	(2,215)
Office equipment	(383)	(406)
Others	(441)	(435)
	(9,337)	(10,285)
	4,682	5,058
Movements in property and equipment:		
Net book value at 1 January	5,058	5,255
- Revaluation of property	(206)	-
- Additions	178	126
- Depreciation charge	(348)	(323)
Net book value at 31 December	4,682	5,058

Land and Building comprise the head office property owned and occupied by the Company since 1984. The property was revalued at February 2025 by independent external valuers and classified as level 2 in the fair value measurement hierarchy. The fair value of building including land has been determined at US\$ 4,549,880 against a carrying value of US\$ 4,756,374. The increase in fair value of building of US\$ 213,000 has been included in property revaluation reserve and the decrease in fair value of land of US\$ 419,494 has been recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS

(US\$ '000)

	LfRC		LfIC for contracts measured under GMM*	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
2025						
Opening insurance contract assets of parent	-	-	-	-	-	-
Opening insurance contract liabilities of parent	1,334	-	(977)	(76,752)	(611)	(77,006)
	1,334	-	(977)	(76,752)	(611)	(77,006)
Insurance revenue	1,017	-	-	-	-	1,017
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(5,063)	-	(5,063)
- Changes that relate to past services - adjustment to LfIC	-	-	(1)	1,383	74	1,456
- Amortisation of insurance acquisition cash flows	(139)	-	-	-	-	(139)
Insurance finance expenses through profit or loss	(185)	-	(55)	(4,016)	-	(4,256)
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	1	-	-	-	-	1
Total changes in statement of profit or loss and OCI	694	-	(56)	(7,696)	74	(6,984)
Premiums received	477	-	-	-	-	477
Claims paid	-	-	(68)	3,480	-	3,412
Directly attributable expenses paid	-	-	-	6,158	-	6,158
Acquisition cost paid	143	-	-	-	-	143
Total cash flows	620	-	(68)	9,638	-	10,190
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	2,648	-	(1,101)	(74,810)	(537)	(73,800)
Insurance contract liabilities of parent	2,648	-	(1,101)	(74,810)	(537)	(73,800)
Technical reserve of subsidiaries	-	-	-	-	-	(769)
Account receivables of subsidiaries	-	-	-	-	-	349
Total insurance contract liabilities	-	-	-	-	-	(74,220)

*GMM - General Measurement Model

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS (CONTD.)

(US\$ '000)

2024	LfRC		LfIC for contracts measured under GMM*	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets of parent	-	-	-	-	-	-
Opening insurance contract liabilities of parent	1,438	-	(974)	(95,099)	(900)	(95,535)
	1,438	-	(974)	(95,099)	(900)	(95,535)
Insurance revenue	1,639	-	-	-	-	1,639
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(6,647)	-	(6,647)
- Changes that relate to past services - adjustment to LfIC	-	-	(143)	15,589	289	15,735
- Amortisation of insurance acquisition cash flows	(639)	-	-	-	-	(639)
Insurance finance expenses through profit or loss	(227)	-	(37)	(3,717)	-	(3,981)
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(2)	-	-	-	-	(2)
Total changes in statement of profit or loss and OCI	771	-	(180)	5,225	289	6,105
Premiums received	(1,528)	-	-	-	-	(1,528)
Claims paid	-	-	177	6,036	-	6,213
Directly attributable expenses paid	-	-	-	7,086	-	7,086
Acquisition cost paid	653	-	-	-	-	653
Total cash flows	(875)	-	177	13,122	-	12,424
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	1,334	-	(977)	(76,752)	(611)	(77,006)
Insurance contract liabilities of parent	1,334	-	(977)	(76,752)	(611)	(77,006)
Technical reserve of subsidiaries	-	-	-	-	-	(747)
Account payables of subsidiaries	-	-	-	-	-	(40)
Total insurance contract liabilities	-	-	-	-	-	(77,793)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13. A. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES

	(US\$ '000)			
2025	BEL*	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(3,626)	(369)	(767)	(4,762)
	(3,626)	(369)	(767)	(4,762)
Changes related to current services				
- CSM recognized in profit or loss	-	-	191	191
- Risk Adjustment recognized in profit or loss	-	(46)	-	(46)
- Experience adjustments	450	-	-	450
Changes related to future services				
- Change in estimates that adjust CSM	(206)	(46)	252	-
Changes that relate to past service - adjustments to LfIC	(1)	-	-	(1)
Insurance finance expenses through profit or loss	(228)		(13)	(241)
Total changes in statement of profit or loss and OCI	15	(92)	430	353
Premiums received	(14)	-	-	(14)
Claims paid	(68)	-	-	(68)
Acquisition cost paid	(3)	-	-	(3)
Total cash flows	(85)	-	-	(85)
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(3,696)	(461)	(337)	(4,494)
	(3,696)	(461)	(337)	(4,494)

*BEL - Best estimate of liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13 A. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES (CONTD.)

	(US\$ '000)			
2024	BEL	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(4,638)	(683)	(275)	(5,596)
	(4,638)	(683)	(275)	(5,596)
Changes related to current services				
- CSM recognized in profit or loss	-	-	478	478
- Risk Adjustment recognized in profit or loss	-	181	-	181
- Experience adjustments	548	-	-	548
Changes related to future services				
- Changes in estimates that adjust CSM	834	133	(968)	(1)
Changes that relate to past service - adjustments to LfIC	(143)	-	-	(143)
Insurance finance expenses through profit or loss	(261)	-	(2)	(263)
Total changes in statement of profit or loss and OCI	978	314	(492)	800
Premiums received	(145)	-	-	(145)
Claims paid	177	-	-	177
Acquisition cost paid	2	-	-	2
Total cash flows	34	-	-	34
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(3,626)	(369)	(767)	(4,762)
	(3,626)	(369)	(767)	(4,762)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

B. MATURITY PROFILE OF LIABILITIES

(US\$' 000)

		Settled within 12 months				Settled after 12 months	Total
2025	Note	LfIC BEL	LfIC RA	LfRC	Total		
Reinsurance contract assets	9	99	-	980	1,079	7,117	8,196
Insurance contract liabilities	12	(6,861)	(23)	5,385	(1,499)	(72,301)	(73,800)
Reinsurance contract liabilities	9	3	1	(4,279)	(4,275)	153	(4,122)

(US\$' 000)

		Settled within 12 months				Settled after 12 months	Total
2024	Note	LfIC BEL	LfIC RA	LfRC	Total		
Reinsurance contract assets	9	67	-	263	330	7,445	7,775
Insurance contract liabilities	12	(8,071)	(68)	4,740	(3,399)	(73,607)	(77,006)
Reinsurance contract liabilities	9	(18)	1	(3,585)	(3,602)	(528)	(4,130)

14. MOVEMENT OF CONTRACTUAL SERVICE MARGIN FOR TRANSITIONAL APPROACHES

(US\$ '000)

	2025	2024
Contractual service Margin		
Opening balance	767	275
Changes related to current services		
- CSM recognized in profit or loss	(191)	(478)
Changes related to future services		
- Changes in estimates that adjust CSM	(252)	968
- Changes in estimates that result in onerous contract or reversal of losses	13	2
Insurance finance expenses through profit or loss	-	-
Closing balance	337	767
Insurance Revenue	595	1,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. CLAIMS DEVELOPMENT

The table below shows the incurred gross and net claims including unreported losses computed with reference to earned premiums, compared with previous estimates for the last 5 years:

(US\$ '000)

	Underwriting year						
	2020	2021	2022	2023	2024	2025	Total
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	1,474	-	-	-	-	-	
- One year later	1,033	-	-	-	-	-	
- Two years later	845	-	-	-	-	-	
- Three years later	773	-	-	-	-	-	
- Four years later	675	-	-	-	-	-	
- Five years later	662	-	-	-	-	-	
Current estimate of incurred claims	662	-	-	-	-	-	662
Cumulative payments to date	(142)	-	-	-	-	-	(142)
Liability recognized	520	-	-	-	-	-	520
Liability in respect of prior years							84,799
Total liability included in the statement of financial position							85,319

(US\$ '000)

	Underwriting year						
	2020	2021	2022	2023	2024	2025	Total
Net							
Estimate of incurred claims costs:							
- At end of underwriting year	1,474	-	-	-	-	-	
- One year later	1,033	-	-	-	-	-	
- Two years later	845	-	-	-	-	-	
- Three years later	773	-	-	-	-	-	
- Four years later	675	-	-	-	-	-	
- Five years later	662	-	-	-	-	-	
Current estimate of incurred claims	662	-	-	-	-	-	662
Cumulative payments to date	(142)	-	-	-	-	-	(142)
Liability recognized	520	-	-	-	-	-	520
Liability in respect of prior years							79,832
Total liability included in the statement of financial position							80,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. OTHER LIABILITIES

	(US\$ '000)	
	2025	2024
Provision for probable loss estimates in a subsidiary (note 32 (iii))	100	1,013
Accrued expenses	335	1,037
Dividends payable	234	234
Other	838	1,912
	1,507	4,196
Balances due:		
- Within 12 months	1,404	4,066
- After 12 months	103	130
	1,507	4,196

17. SHAREHOLDERS' EQUITY

i) Share capital:

a) Composition

	(US\$ '000)	
	2025	2024
Authorised 500 million ordinary shares of US\$ 1 each	500,000	500,000
Issued, Subscribed and Fully Paid-up 220 million (2024: 220 million) ordinary shares of US\$ 1 each	220,000	220,000

The company's shares are listed on Bahrain Bourse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. SHAREHOLDERS' EQUITY (CONTD.)

b) Major Shareholders

Shareholders who have an interest of 5% or more of the outstanding and issued shares are as shown below:

Name	Nationality	No. of shares (in millions)		% of total outstanding shares		% of total issued shares	
		2025	2024	2025	2024	2025	2024
Central Bank of Libya	Libya	31.8	31.8	16.1	16.1	14.5	14.5
Gulf Tamin Ltd. (Cayman Islands)	Cayman Islands	30.5	30.5	15.4	15.4	13.8	13.8
General Pension & Social Security Authority	UAE	27.5	27.5	13.9	13.9	12.5	12.5
Ahmed Omar Salem Alkorbi	UAE	21.7	21.7	10.9	10.9	9.9	9.9
Kuwait Investment Authority	Kuwait	20.0	20.0	10.1	10.1	9.1	9.1
Emirates Development Bank	UAE	11.0	11.0	5.6	5.6	5.0	5.0

c) Shareholding pattern

The shareholding pattern in the outstanding shares of the Company is as follows:

Shares	No. of shares (in millions)		No. of shareholders		% of total outstanding shares	
	2025	2024	2025	2024	2025	2024
Less than 1%	34.3	37.3	4,182	4,206	17.3%	18.9%
1% to 5%	21.3	18.3	6	6	10.7%	9.2%
5% to 10%	11.0	11.0	1	1	5.6%	5.6%
10% and above	131.5	131.5	5	5	66.4%	66.4%

ii) Treasury stock:

The Company held 21,885,118 of its own shares at 31 December 2025 (2024: 21,885,118 shares) which are carried at cost of US\$ 14,793,000 (2024: US\$ 14,793,000).

iii) Legal reserve:

In accordance with applicable legal provisions and Articles of Association, the Group is required to set aside 10% of net profits each year to build a Legal reserve up to a maximum of 100% of the paid up value of its share capital.

iv) Investment revaluation reserve:

Investment revaluation reserve comprises gains or losses arising from remeasurement of investments designated at fair value through other comprehensive income. These gains or losses are carried in the reserve until the assets are disposed of, at which time the gains or losses are included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. SHAREHOLDERS' EQUITY (CONTD.)

v) Property revaluation reserve:

Property revaluation reserve represents the difference between the cost of land and buildings less accumulated depreciation and their fair values. Further, the difference between depreciation based on the revalued carrying amounts and the depreciation based on original cost of the property is transferred directly from property revaluation reserve to retained earnings.

vi) Capital management:

The Group's total capital comprises paid-up capital, legal reserve and retained earnings less treasury shares. The Group's policy is to maintain a strong capital base so as to maintain client, investor and market confidence and to sustain future development of the business. The parent company is regulated by Central Bank of Bahrain, which sets and monitors capital requirement for the parent company. Central Bank of Bahrain (CBB) requires the parent company to compute the solvency margin requirement and disclose it in the annual report in accordance with provisions of the CBB Rule Book. The company is in compliance with the required margin of solvency.

Additionally, the Company manages its capital adequacy on an evaluation of its capital requirement through risk based capital models.

18. NON-CONTROLLING INTERESTS

	(US\$ '000)	
	2025	2024
At 1 January	7,722	13,200
Share of comprehensive income	(135)	42
Subsidiary's capital reduction	-	(5,520)
At 31 December	7,587	7,722

19. INSURANCE REVENUE

	(US\$ '000)	
	2025	2024
Amounts relating to change in LfRC		
- Expected benefits incurred	272	341
- Expected expenses incurred	179	196
- Change in the risk adjustment	(46)	181
- CSM recognized	191	478
Recovery of acquisition cash flows	-	1
Experience adjustments	(1)	10
Contracts not measured under PAA	595	1,207
Contracts measured under PAA	422	432
Insurance revenue of parent	1017	1,639
Insurance revenue of subsidiaries	-	(24)
Total insurance revenue	1,017	1,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

20. INSURANCE SERVICE EXPENSES

	(US\$ '000)	
	2025	2024
Incurred benefits	-	-
Incurred directly attributable expenses	5,063	6,647
Changes that relate to past services - adjustment to LfIC	(1,456)	(15,735)
Insurance acquisition costs	139	639
Insurance service expense of parent	3,746	(8,449)
Insurance service expense of subsidiaries	745	562
Total insurance service expense	4,491	(7,887)

21. NET EXPENSE OR INCOME FROM REINSURANCE CONTRACTS HELD

	(US\$ '000)	
	2025	2024
Expected expenses for contracts not measured under PAA		
- Expected recovery of claims and other expenses	-	-
- Change in the risk adjustment	-	-
- CSM recognized	-	-
- Experience adjustments	-	-
Expected expenses for contracts measured under PAA	787	1,191
Allocation of reinsurer premium	787	1,191
Amounts recovered for claims and other expenses	-	-
Incurred directly attributable expenses	383	500
Changes that relate to past service – recoverable claims and other expenses	19	848
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-
Effect of changes in the risk of reinsurers non-performance	-	-
Amounts recoverable from reinsurer and incurred expenses	402	1,348
Net expense from reinsurance contracts held	1,189	2,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. SEGMENT INFORMATION

The Group's reinsurance business consists of two main business segments, Non-life and Life. Non-life business primarily consists of Property, Engineering, Marine, Accident, Whole Account and Other classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

i) Analysis of revenue by primary business segment:

(US\$ '000)									
2025	Non-life					Life		Unallocated expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Insurance revenue	(10)	435	11	(23)	9	-	595	-	1,017
Insurance service expense	(668)	(1,522)	97	346	(2,144)	126	(1)	(725)	(4,491)
Net income or expense from reinsurance contracts held	(384)	(1,036)	(239)	-	521	(51)	-	-	(1,189)
Insurance service result	(1,062)	(2,123)	(131)	323	(1,614)	75	594	(725)	(4,663)
Insurance finance expenses	(898)	(709)	(260)	(71)	(1,779)	(298)	(241)	-	(4,256)
Reinsurance finance income	25	59	36	-	289	1	-	-	410
	(873)	(650)	(224)	(71)	(1,490)	(297)	(241)	-	(3,846)

(US\$ '000)									
2024	Non-life					Life		Unallocated expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Insurance revenue	(155)	752	(140)	35	(80)	(4)	1,207	-	1,615
Insurance service expense	850	5,133	303	1,253	(705)	2,034	(138)	(843)	7,887
Net income or expense from reinsurance contracts held	(191)	(1,519)	(106)	-	(651)	(72)	-	-	(2,539)
Insurance service result	504	4,366	57	1,288	(1,436)	1,958	1,069	(843)	6,963
Insurance finance expenses	(738)	(901)	(239)	(135)	(1,384)	(323)	(263)	-	(3,983)
Reinsurance finance income	29	57	27	-	202	1	-	-	316
	(709)	(844)	(212)	(135)	(1,182)	(322)	(263)	-	(3,667)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. SEGMENT INFORMATION (CONTD.)

ii) Analysis of segment assets and liabilities:

(US\$'000)

2025	Non-Life					Life		Corporate	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Reinsurance contract assets	322	455	620	-	6,786	13	-	-	8,196
Cash	1,548	1,119	1,360	768	1,694	595	1,251	32,999	41,334
Investments	14,073	9,612	7,619	4,533	17,921	6,807	14,308	222,370	297,243
Other	-	-	-	-	-	-	-	8,385	8,385
	15,943	11,186	9,599	5,301	26,401	7,415	15,559	263,754	355,158
Insurance contract liabilities	17,239	11,312	4,733	971	29,896	5,578	4,491	-	74,220
Reinsurance contract liabilities	386	3,738	-	-	(2)	-	-	-	4,122
Other	-	-	-	-	-	-	-	1,507	1,507
	17,625	15,050	4,733	971	29,894	5,578	4,491	1,507	79,849

(US\$'000)

2024	Non-Life					Life		Corporate	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Reinsurance contract assets	572	657	742	-	5,794	11	-	-	7,775
Cash	2,634	1,894	1,852	1,120	2,097	972	2,045	40,816	53,430
Investments	16,232	11,359	8,515	5,311	24,867	6,838	14,416	219,056	306,594
Other	-	-	-	-	-	-	-	8,806	8,806
	19,438	13,910	11,109	6,431	32,758	7,821	16,461	268,678	376,605
Insurance contract liabilities	17,976	11,254	5,377	1,377	31,660	5,387	4,762	-	77,793
Reinsurance contract liabilities	387	3,038	-	-	705	-	-	-	4,130
Other	-	-	-	-	-	-	-	4,196	4,196
	18,363	14,292	5,377	1,377	32,365	5,387	4,762	4,196	86,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. INVESTMENT INCOME

	(US\$ '000)	
	2025	2024
Interest income		
Investment designated at fair value through profit or loss	533	888
- Cash and bank deposits	1,319	8,191
Investment designated at fair value through other comprehensive income	10,927	6,128
Realised gain on investment		
- Designated at fair value through other comprehensive income	111	183
- Designated at fair value through profit or loss	586	303
Unrealized loss on Investment designated at fair value through profit or loss	(911)	(779)
Income from associate	19	32
Other	(321)	(219)
	12,263	14,727

24. INSURANCE FINANCE EXPENSES

	(US\$ '000)	
	2025	2024
Interest accreted to insurance contracts	3,093	5,580
Change in financial assumption through profit or loss	1,142	(1,720)
Effect of unlocking CSM at looked-in rates and FCF at current rates	22	120
Net foreign exchange income or expense	(1)	3
Total insurance finance expense	4,256	3,983

25. REINSURANCE FINANCE INCOME

	(US\$ '000)	
	2025	2024
Interest accreted to reinsurance contracts	297	472
Change in financial assumption through profit or loss	113	(157)
Net foreign exchange income or expense	-	1
Total reinsurance finance income	410	316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

26. OTHER EXPENSES AND PROVISIONS

		(US\$ '000)
	2025	2024
Foreign exchange loss	-	80
Impairment in value of land	419	-
Operating expenses of non-insurance subsidiary	370	576
Directors' remuneration	-	1,500
Other, net	447	498
Total other expenses and provisions	1,236	2,654

27. OTHER INCOME

		(US\$ '000)
	2025	2024
Foreign exchange gain	142	-
Reversal of provisions	862	4,172
Recoveries of bad debt written off	-	6,035
Other	169	812
Total other income	1,173	11,019

28. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

The Group does not have any potentially dilutive ordinary shares. Hence the diluted earnings per share and basic earnings per share are identical. Basic and diluted earnings per share has been computed as follows:

		(US\$ '000)
		2025
Weighted average number of shares outstanding	'000	198,115
Net profit	US\$'000	3,913
Earnings per share	US cents	2.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	(US\$ '000)	
	2025	2024
Profit for the year	3,691	26,388
Change in insurance funds	872	(17,466)
Change in insurance receivable/payable, net	(3,364)	(519)
Change in accrued income	97	2,038
Change in other assets/liabilities, net	(3,974)	(16,863)
Net cash used in operating activities	(2,678)	(6,422)

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	(US\$'000)	
	Dividends	Non-controlling Interest
Balances at 31 December 2024	234	7,722
Share of comprehensive income	-	(135)
Balances at 31 December 2025	234	7,587
Balances at 31 December 2023	234	13,200
Share of comprehensive income	-	42
Subsidiary's capital reduction	-	(5,520)
Balances at 31 December 2024	234	7,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. FAIR VALUE DISCLOSURE

The following table presents the fair values of the Group's financial instruments:

(US\$ '000)

2025	Book Value			Total	Fair value
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost		
ASSETS					
Cash and bank balances	-	-	41,334	41,334	41,334
Investment assets	14,387	282,614	-	297,001	297,001
Accrued interest	-	-	2,499	2,499	2,499
Reinsurance contract assets	-	-	8,196	8,196	8,196
Other assets	-	-	551	551	551
LIABILITIES					
Insurance contract liabilities	-	-	74,220	74,220	74,220
Reinsurance contract liabilities	-	-	4,122	4,122	4,122
Other liabilities	-	-	1,072	1,072	1,072

(US\$ '000)

2024	Book Value			Total	Fair value
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost		
ASSETS					
Cash and bank balances	-	-	53,430	53,430	53,430
Investment assets	26,140	280,279	-	306,419	306,419
Accrued interest	-	-	2,596	2,596	2,596
Reinsurance contract assets	-	-	7,775	7,775	7,775
Other assets	-	-	374	374	374
LIABILITIES					
Insurance contract liabilities	-	-	77,793	77,793	77,793
Reinsurance contract liabilities	-	-	4,130	4,130	4,130
Other liabilities	-	-	2,146	2,146	2,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. FAIR VALUE DISCLOSURE (CONTD.)

The information disclosed in the table above is not indicative of the net worth of the Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i) General:

The book values of the Group's financial instruments except investments and forward foreign exchange contracts were deemed to approximate fair value due to the immediate or short term maturity of these financial instruments.

Hence, the fair value measurement details are not disclosed.

ii) Investments:

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as 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 active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where 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 market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation includes risk free and benchmark interest rates, bond and equity prices, and foreign exchange rates. The objective of valuations technique is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. FAIR VALUE DISCLOSURE (CONTD.)

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

	(US\$'000)			
2025	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	9,383	-	-	9,383
Common stock of unlisted companies	-	-	688	688
Other	-	-	4,316	4,316
At fair value through other comprehensive income				
Debt securities	281,614	-	-	281,614
Common stock of unlisted companies	-	-	1,000	1,000
	290,997	-	6,004	297,001

	(US\$'000)			
2024	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	19,050	-	-	19,050
Common stock of unlisted companies	-	-	1,013	1,013
Other	-	-	6,077	6,077
At fair value through other comprehensive income				
Debt securities	275,311	3,968	-	279,279
Common stock of unlisted companies	-	-	1,000	1,000
	294,361	3,968	8,090	306,419

The tables below show movements in the Level 3 financial assets measured at fair value:

	(US\$ '000)		
2025	Unlisted equity	Other	Total
Balances at 1 January 2025	2,013	6,077	8,090
Loss on fair value movement	(242)	(1,081)	(1,323)
Investments made during the year	-	98	98
Investments redeemed during the year	(83)	(778)	(861)
Balances at 31 December 2025	1,688	4,316	6,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. FAIR VALUE DISCLOSURE (CONTD.)

			(US\$'000)
2024	Unlisted equity	Other	Total
Balances at 1 January 2024	2,599	8,449	11,048
Loss on fair value movement	(382)	(997)	(1,379)
Investments made during the year	-	62	62
Investments redeemed during the year	(204)	(1,437)	(1,641)
Balances at 31 December 2024	2,013	6,077	8,090

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the observable / unobservable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change occurred. For the year ended 31 December 2025, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2024: nil). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalisation rates, discount rates, leasing and other factors, the amount which will be realized by the group on the disposal of its investments may differ significantly from the values at which they are carried in the consolidated financial statements, and the difference could be material.

iii) Fair value less than carrying amounts:

The fair value of fixed interest debt securities fluctuates with changes in market interest rates. The book value of financial assets held to maturity has not been reduced to fair value where lower, because such market rate variations are considered temporary in nature and management intends, and has the financial resources and capacity, to generally hold such investments to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

32. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 31 December 2025, the principal subsidiaries of the Company were:

	Country of incorporation	Ownership	Non-controlling Interests	Principal Activities
Gulf Warranties W.L.L. (under voluntary liquidation)	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited (under run-off)	United Arab Emirates	54%	46%	Retakaful Insurance

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2024 except for Arig Capital Limited (ACL) (currently Tivoli Capital Limited) which has been sold effective as of 21 August 2025. The Company holds 49% of the equity shares in its associate company Arima Insurance software W.L.L.

In the parent company, these investments are accounted using the equity method under IAS 27, Separate Financial Statements.

Financial statements of Takaful Re Limited (TRL) and Gulf Warranties W.L.L. (GWL) are not prepared on going concern basis as TRL is under run-off and GWL is under voluntary liquidation.

ii) Interest in subsidiaries: Takaful Re Limited

	(US\$ '000)
	2025
	2024
Non-controlling interests	46%
Total assets	25,552
Total liabilities	9,057
Net assets	16,495
Revenue	-
Loss for the year	(483)
Total comprehensive income	(293)
Comprehensive income attributable to non-controlling interests	(135)
Net cash used in operating activities	(1,044)
Net cash provided by investing activities	1,190
Net cash used in financing activities	-
Net increase (decrease) in cash and cash equivalents	146
	(8,974)

The subsidiary's policyholders funds are consolidated as these funds are controlled and managed by the subsidiary which is in a position to direct activities and operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

32. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

iii) Interest in subsidiaries: Gulf Warranties W.L.L.

The Group's subsidiary's GWL in 2018, based on management's assessments had provided for probable loss of US\$ 21.5 million. Following settlement of certain liabilities the provision has been reduced to US\$ 0.1 million in the books of the subsidiary and consequently in the consolidated financial statements of the Group for year ended 31 December 2025. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

33. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, associate companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

Government of UAE controls 17.5% of issued shares in the Group through major shareholders General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.5% of issued shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments. Gulf Tamin Ltd. controls 13.85% of issued shares in the Group. The Group does not have any significant transactions with Gulf Tamin Ltd.

The following is the summary of transactions with related parties:

i) Associate companies:

	(US\$ '000)	
	2025	2024
a) Service fees for administrationservices provided by associate	246	261
b) Balances outstanding		
Payables	14	40

ii) Compensation to directors and key management personnel:

	(US\$ '000)	
	2025	2024
a) Directors		
- Remuneration paid	-	1,500
- Attendance fees	332	239
- Travel expenses	147	163
b) Key management compensation		
Salaries and other short-term employee benefits	372	347
- Post-employment benefits	41	47
- Others	17	20
c) Balances payable to key management	148	124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. PARENT COMPANY

The unconsolidated statement of financial position of the parent company, Arab Insurance Group (B.S.C.), is presented below.

		(US\$ '000)	
	Note	2025	2024
ASSETS			
Cash and bank balances		25,774	42,196
Investments		294,699	299,263
Accrued interest		2,419	2,513
Reinsurance contract assets		8,196	7,775
Other assets		17,992	22,787
Investment in subsidiaries		9,477	9,615
Property and equipment		4,595	4,877
TOTAL ASSETS		363,152	389,026
LIABILITIES			
Insurance contract liabilities		73,800	77,006
Reinsurance contract liabilities		4,122	4,130
Other liabilities		17,508	25,126
TOTAL LIABILITIES		95,430	106,262
SHAREHOLDERS' EQUITY	17		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		54,037	48,108
Retained earnings		8,478	29,449
TOTAL SHAREHOLDER'S EQUITY		267,722	282,764
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		363,152	389,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

35. DIVIDEND DECLARED

A dividend of US\$ 24.8 million representing 12.5% of the paid up capital of the Company (net of treasury shares) for the year ended 31 December 2024 (at US\$ 0.125 per share) (2024: US\$ 39.6 million for the year ended 31 December 2023 at US\$ 0.20 per share), was approved by the shareholders in the Ordinary General Assembly Meeting held on 26 March 2025 (2024: 28 March 2024). The payment to the entitled shareholders was made on 16 April 2025 (2024: 15 April 2024).

36. COMPARATIVES

Certain corresponding figures have been regrouped where necessary to conform to the current year's presentation. Such regrouping did not effect previously reported net assets, or shareholders' equity.

37. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The directors propose to recommend the following appropriations for approval of shareholders at the Annual General Assembly meeting to be held on 16 March 2026:

	(US\$ '000)
Cash dividend of US cents 3.25 per share on the paid up capital net of treasury shares	6,439