

Watania Takaful General (P.J.S.C)

Financial statements

For the year ended 31 December 2025

Watania Takaful General (P.J.S.C)

**Report of the Board of Directors, independent auditor's report and financial statements
for the year ended 31 December 2025**

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Directors' report

The Directors submit their report on the activities of Watania Takaful General (P.J.S.C) (the "Company") for the year ended 31 December 2025 together with the audited financial statements.

The principal activities of the Company are to carry out general takaful and retakaful activities in accordance with the Shari'ah principles. These activities are carried out by the Company on behalf of participants (also known as the policyholders) and shareholders based on the Wakala model.

Results

The financial position of Watania Takaful General (P.J.S.C) as of 31 December 2025 together with its statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended are set out in the accompanying financial statements.

Directors

The Directors of the Company for the year ended 31 December 2025 were:

Dr. Ali Saeed Bin Harmal Aldhaheri	Chairman
Mr. Mohammed Salem Omair AlShamsi	Member
Eng. Usama Mohamed Al Barwani	Member
Mr. Faisal Nasser Abdulla Khamis Alshamsi	Member
Mrs. Badrya Ali Abdulrahim Aldashti	Member
Mr. Youssef Sami Alami	Member
Mr. Abdulaziz Abdulrahman Mubarak Alhemaiddi	Member

Auditors

The financial statements for the year ended 31 December 2025 have been audited by Deloitte & Touche (M.E.).

By order of the Board of Directors on March 31, 2026 and signed on their behalf by:

Dr. Ali Saeed Bin Harmal Aldhaheri
Chairman

Mr. Mohammed Salem Omair Al Shamsi
Director

INDEPENDENT AUDITOR'S REPORT

**To the shareholder of Watania Takaful General (P.J.S.C)
Dubai
United Arab Emirates**

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Watania Takaful General (P.J.S.C) (the "Company"), which comprise the statement of financial position as at 31 December 2025, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR’S REPORT
To the shareholder of Watania Takaful General (P.J.S.C) (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of takaful contract liabilities</i> As at 31 December 2025, takaful contract liabilities, amounted to AED 314 million.</p> <p>A key element of the valuation of takaful contract liabilities is the Present value of future cash flows (“PVFCFs”). The PVFCFs are included in the liability for incurred claims for contracts measured under the premium allocation approach (PAA). As at 31 December 2025 this amounted to a net liability of AED 215 million for takaful contracts issued.</p> <p>The determination of the PVFCFs, a key element of which are the expected credit losses (ECL) on contribution receivables, represents the Company’s expectations regarding future cash outflows minus cash inflows that will arise as the entity fulfils takaful contracts and involves actuarial and ECL models and several assumptions made by management. Its accuracy is dependent on the input data being correct and requires management to apply significant judgements, make significant estimates and use actuarial models. The risk of error arises as a result of inappropriate choices of actuarial methodologies, techniques and assumptions. Management used an external actuary to assist them in the aforementioned determination.</p> <p>As a result of all the above factors, as well as the significant audit effort required, we consider the valuation of the PVFCFs included in the liability for incurred claims for contracts measured under the Premium Allocation Approach as a key audit matter.</p> <p>Refer to the material accounting policy information note 3 for takaful contracts; note 4, which contains the disclosure of critical accounting judgements, estimates and assumptions relating to valuation of takaful contracts; note 7 which contains the disclosure of takaful contract liabilities and note 28 for takaful risk disclosures.</p>	<p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process adopted by management to value the takaful contract liabilities; • Assessing the key controls related to the integrity of the data used in the process of valuation of the PVFCFs to determine if they had been appropriately designed and implemented; • Evaluating and testing the data used in the process of the valuation of the PVFCFs; • Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, for example, reports from loss adjusters and, confirmations obtained from lawyers, retakaful contracts etc; • Evaluating the objectivity, skills, qualifications and competence of the independent external actuary and reviewing the terms of the actuary’s engagement with the Company to determine if the scope of his work was sufficient for audit purposes. • With respect to the receivables’ impairment allowance, which is a component used in the determination of the PVFCFs, we: <ul style="list-style-type: none"> - Evaluated and tested the data used in the impairment model calculations receivables for amounts due; - Evaluated and tested the calculation of the allowance for expected credit loss allowance and the key assumptions and judgments used with the assistance of our internal specialists; and - Evaluated and tested balances determined to be individually impaired.

INDEPENDENT AUDITOR’S REPORT
To the shareholder of Watania Takaful General (P.J.S.C) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • With the assistance with our internal actuarial specialists, we: <ul style="list-style-type: none"> - Evaluated the Company’s actuarial practices and provisions established, including the actuarial report issued by management’s expert; - Assessed the calculation methods and the models applied in the valuation process; - Assessed key actuarial assumptions such as loss ratios, claims development factors and discount rates; - Determined if the estimates applied in the current and prior year were consistent; and - Performed independent calculation of the present value of future cash flows for the Company’s contract liabilities portfolio and assessed management’s estimates. • We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.

Other Matter

The financial statements of the Company for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2025.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors’ Report which we obtained prior to the date of this auditor’s report. The other information does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
To the shareholder of Watania Takaful General (P.J.S.C) (continued)

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by IASB and their preparation in compliance with the applicable provisions of the Articles of Association of the Company, UAE Federal Decree Law No. 32 of 2021, as amended, UAE federal decree law No. (6) 2025 and related Financial Regulations for Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT **To the shareholder of Watania Takaful General (P.J.S.C) (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021, as amended;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Company;
- v) Note 6 to the financial statements, discloses the investments in securities as at 31 December 2025;
- vi) Note 18 to the financial statements discloses material related party transactions, and balances, and the terms under which they were conducted;
- vii) The Company has not made any social contributions during the financial year ended 31 December 2025; and
- viii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the Federal Law No. 32 of 2021, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2025.

INDEPENDENT AUDITOR'S REPORT **To the shareholder of Watania Takaful General (P.J.S.C) (continued)**

Report on Other Legal and Regulatory Requirements (continued)

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

Furthermore, as required by the CBUAE Insurance Reporting Requirements for 2025, note 18 to the financial statements discloses information on assets that are held by related parties for the beneficial interest of the Company.

Deloitte & Touche (M.E.)



Firas Anabtawi
Registration No.: 5482
31 March 2026
Dubai
United Arab Emirates

Watania Takaful General (P.J.S.C)

Statement of financial position – Takaful presentation purposes only As at 31 December

	Notes	2025 AED'000	2024 AED'000
Assets			
Takaful operations' assets			
Investment properties	5	58,649	55,539
Investments held at amortised cost	6	1,761	10,568
Investments held at fair value through profit or loss ("FVTPL")	6	91,635	77,957
Retakaful contract assets	7	139,669	208,091
Takaful contract assets	7	-	19
Due from shareholders	8	-	2,593
Prepayments and other receivables	9	4,852	3,770
Wakala deposits	10	114,776	71,050
Cash and bank balances	10	32,586	41,473
Total takaful operations' assets		443,928	471,060
Shareholders' assets			
Property and equipment	11	8,274	10,750
Right-of-use assets	12	2,455	3,437
Restricted deposit	10	6,000	6,000
Investments held at fair value through profit or loss ("FVTPL")	6	9,224	-
Due from participants	8	81,198	-
Prepayments and other receivables	9	68,416	120,902
Wakala deposits	10	22,952	29,653
Cash and bank balances	10	4,957	18,005
Total shareholders' assets		203,476	188,747
Total assets		647,404	659,807


The accompanying notes 1 to 33 form an integral part of these financial statements.


Watania Takaful General (P.J.S.C)

Statement of financial position (continued) – Takaful presentation purposes only As at 31 December

	Notes	2025 AED'000	2024 AED'000
Liabilities, policyholders' fund and shareholders' equity			
Takaful operations' liabilities			
Takaful contract liabilities	7	314,398	426,218
Retakaful contract liabilities	7	6,144	3,307
Accruals and other payables	13	42,188	41,535
Due to shareholders	8	81,198	-
Total takaful operations' liabilities		443,928	471,060
Policyholders' fund			
Deficit in policyholders' fund	14	(105,759)	(111,396)
Loan (Qard Hassan) from shareholders	14	105,759	111,396
Total policyholders' fund		-	-
Shareholders' liabilities and equity			
Shareholders' liabilities			
Employees' end of service benefits	15	2,256	2,992
Lease liability	12	2,726	3,801
Due to policyholders	8	-	2,593
Current tax liabilities	31	330	-
Deferred tax liabilities	31	1,519	834
Accrued expenses and other payables	13	9,317	5,703
Total shareholders' liabilities		16,148	15,923
Shareholders' equity			
Share capital	16	167,500	167,500
Statutory reserve	17	6,497	5,047
Retakaful reserve	17	3,262	2,533
Retained earnings / (accumulated losses)		10,069	(2,256)
Total shareholders' equity		187,328	172,824
Total shareholders' liabilities and equity		203,476	188,747
Total liabilities, policyholders' fund and equity		647,404	659,807

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.


Dr. Ali Saeed Bin Harmal Aldhaheri
 Chairman


Mr. Mohammed Salem Omair Al Shamsi
 Director

The accompanying notes 1 to 33 form an integral part of these financial statements.

Watania Takaful General (P.J.S.C)

Statement of comprehensive income – Takaful presentation purposes only For the year ended 31 December

	Notes	2025 AED'000	2024 AED'000
Attributable to policyholders			
Takaful revenue	7	326,235	334,646
Takaful service expenses	7 & 19	(209,182)	(550,064)
Takaful service result before retakaful contracts held		117,053	(215,418)
Allocation of retakaful premiums	7	(120,416)	(111,422)
Amounts recoverable from retakaful for incurred claims		856	297,941
Net (expense)/income from retakaful contracts held		(119,560)	186,519
Takaful service result		(2,507)	(28,899)
Takaful finance expenses for takaful contracts issued	20	(5,829)	(1,357)
Retakaful finance income for retakaful contracts held	20	7,157	998
Takaful financial result		1,328	(359)
Net takaful expense		(1,179)	(29,258)
Net realised fair value gain on financial assets	22	973	-
Net unrealised fair value gain on financial assets	22	4,360	-
Investment and other income	22	15,358	19,881
Total investment income		20,691	19,881
Wakala fees, net		(7,720)	(7,773)
Mudarib fees		(6,155)	(6,958)
Profit / (loss) for the year attributable to policyholders		5,637	(24,108)
Attributable to shareholders			
Net realised fair value gain on financial assets		9	-
Net unrealised fair value gain on financial assets		139	-
Investment and other income	22	1,639	2,519
Total investment and other income		1,787	2,519
Wakala fees, net	21	7,720	7,773
Mudarib fees	21	6,155	6,958
General and administrative expenses	23	(5,780)	(6,961)
Income for the year before Qard Hassan		9,882	10,289
Recovery / (provision) for Qard Hassan to policyholders		5,637	(24,108)
Profit / (loss) before tax for the year attributable to shareholders		15,519	(13,819)
Income tax expense	31	(1,015)	(834)
Profit / (loss) after tax for the year attributable to shareholders		14,504	(14,653)

The accompanying notes 1 to 33 form an integral part of these financial statements.

Watania Takaful General (P.J.S.C)

Statement of comprehensive income (continued) – Takaful presentation purposes only For the year ended 31 December

	2025 AED'000	2024 AED'000
Attributable to policyholders		
Profit / (loss) attributable to policyholders	<u>5,637</u>	<u>(24,108)</u>
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year attributable to policyholders	<u><u>5,637</u></u>	<u><u>(24,108)</u></u>
Attributable to shareholders		
Profit / (loss) attributable to shareholders	<u>14,504</u>	<u>(14,653)</u>
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year attributable to shareholders	<u><u>14,504</u></u>	<u><u>(14,653)</u></u>

The accompanying notes 1 to 33 form an integral part of these financial statements

Watania Takaful General (P.J.S.C)

Statement of financial position – Conventional presentation As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Assets			
Property and equipment	11	8,274	10,750
Right-of-use asset	12	2,455	3,437
Investment properties	5	58,649	55,539
Restricted deposit	10	6,000	6,000
Investments held at amortised cost	6	1,761	10,568
Investments held at fair value through profit or loss (“FVTPL”)	6	100,859	77,957
Takaful contract assets	7	-	19
Retakaful contract assets	7	139,669	208,091
Prepayments and other receivables	9	73,268	124,672
Wakala deposits	10	137,728	100,703
Cash and bank balances	10	37,543	59,478
Total assets		566,206	657,214
Liabilities and Equity			
Liabilities			
Deferred tax liabilities	31	1,519	834
Current tax liabilities	31	330	-
Employees’ end of service benefits	15	2,256	2,992
Lease liabilities	12	2,726	3,801
Takaful contract liabilities	7	314,398	426,218
Retakaful contract liabilities	7	6,144	3,307
Accrued expenses and other payables	13	51,505	47,238
Total liabilities		378,878	484,390
Equity			
Share capital	16	167,500	167,500
Statutory reserve	17	6,497	5,047
Retakaful reserve	17	3,262	2,533
Retained earnings / (accumulated losses)		10,069	(2,256)
Total equity		187,328	172,824
Total liabilities and equity		566,206	657,214

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.

Dr. Ali Saeed Bin Harmal Aldhaheri
Chairman

Mr. Mohammed Salem Omair Al Shamsi
Director

The notes from 1 to 33 form an integral part of this condensed interim financial information.

Watania Takaful General (P.J.S.C)

Statement of comprehensive income – Conventional presentation For the year ended 31 December

	Notes	2025 AED'000	2024 AED'000
Takaful revenue	7	326,235	334,646
Takaful service expenses	7 & 19	(209,182)	(550,064)
Takaful service result before retakaful contracts held		117,053	(215,418)
Net (expense) / income from retakaful contracts held	7	(119,560)	186,519
Takaful service result		(2,507)	(28,899)
Net fair value gain on investments held at FVTPL	22	5,481	6,439
Other investment income - net	22	16,997	15,961
Total investment and other income		22,478	22,400
Finance expense for takaful contracts issued	20	(5,829)	(1,357)
Finance income for retakaful contracts held	20	7,157	998
Net takaful finance income / (expense)		1,328	(359)
Net takaful and investments result		21,299	(6,858)
General and administrative expenses	23	(5,780)	(6,961)
Profit / (loss) before tax		15,519	(13,819)
Income tax expense	31	(1,015)	(834)
Profit / (loss) after tax		14,504	(14,653)
Other comprehensive income / (loss)			
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		14,504	(14,653)

The notes from 1 to 33 form an integral part of this condensed interim financial information.

Watania Takaful General (P.J.S.C)
Statement of changes in equity
For the year ended 31 December 2025

	Share capital AED'000	Statutory reserve AED'000	Retakaful reserve AED'000	Retained earnings / (accumulated losses) AED'000	Total equity AED'000
Balance as at 1 January 2024	132,500	5,047	1,880	13,050	152,477
Loss for the year	-	-	-	(14,653)	(14,653)
Total comprehensive loss for the year	-	-	-	(14,653)	(14,653)
Capital proceeds during the year (note 16)	35,000	-	-	-	35,000
Transfer to reserves	-	-	653	(653)	-
Balance at 31 December 2024	<u>167,500</u>	<u>5,047</u>	<u>2,533</u>	<u>(2,256)</u>	<u>172,824</u>
Balance as at 1 January 2025	167,500	5,047	2,533	(2,256)	172,824
Profit for the year	-	-	-	14,504	14,504
Total comprehensive income for the year	-	-	-	14,504	14,504
Transfer to reserves	-	1,450	729	(2,179)	-
Balance at 31 December 2025	<u>167,500</u>	<u>6,497</u>	<u>3,262</u>	<u>10,069</u>	<u>187,328</u>

The accompanying notes 1 to 33 form an integral part of these financial statements.

Watania Takaful General (P.J.S.C)

Statement of cash flows

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Cash flows from operating activities			
Profit / (loss) for the year before tax		15,519	(13,819)
<i>Adjustments for:</i>			
Depreciation on property and equipment	11	2,900	2,551
Net write off of property and equipment	11	138	41
Depreciation on right of use assets	12	982	1,053
Finance cost on lease liability	12	173	225
Amortisation of discounts	6	-	(379)
Realised gain on securities	6	(982)	(1,559)
Unrealised gain on securities	6	(4,499)	(4,880)
Profit from wakala deposits	22	(5,542)	(7,207)
Profit from sukuks – net of accrued charges		(2,335)	(1,349)
Rental income	22	(4,049)	(2,203)
Dividend income	22	(2,197)	(1,464)
Allowance / (reversal) of expected credit losses	22	15	(86)
Fair value gain on investment properties	22	(3,110)	(4,072)
Provision for employees' end of service benefits		583	1,667
Operating cash flows before changes in operating assets and liabilities		(2,404)	(31,481)
<i>Changes in working capital:</i>			
Change in prepayments and other receivables		49,690	(18,007)
Change in accruals and other payables		8,316	16,926
Change in retakaful contract assets - net		71,259	(199,326)
Change in takaful and retakaful contract liabilities – net		(111,801)	201,554
Cash generated from / (used in) operating activities		15,060	(30,334)
Employees' end of benefits paid		(1,319)	(1,504)
Net cash generated from / (used in) operating activities		13,741	(31,838)
Cash flows from investing activities			
Purchase of property and equipment	11	(928)	(6,040)
Disposals of property and equipment	11	242	-
Change of wakala deposits		34,215	24,517
Purchase of investments at FVTPL	6	(65,988)	(61,812)
Net proceeds from sale of investments at FVTPL	6	48,567	33,136
Net proceeds from sale of investments at FVTOCI	6	-	4,998
Net proceeds from sale/maturity of investments at amortised cost	6	8,807	9,532
Dividend income received		2,273	1,456
Rental income received		3,820	1,086
Profit received from sukuks		2,074	1,225
Profit received from banks and wakala deposits		3,745	8,525
Changes in liens/pledges on deposits		(35,576)	9,072
Net cash generated from investing activities		1,251	25,695

The notes from 1 to 33 form an integral part of this condensed interim financial information.

Watania Takaful General (P.J.S.C)
Statement of cash flows (continued)
For the year ended 31 December 2025

	2025 AED'000	2024 AED'000
Cash flows from financing activities		
Lease liability and finance costs payments	(1,248)	(1,136)
Capital proceeds	-	35,000
Net cash (used in)/ generated from financing activities	(1,248)	33,864
Net change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	48,799	21,078
Cash and cash equivalents at the end of the year	62,543	48,799
	10	
Non-cash transactions with related parties		
Transfers of investment securities from related parties	-	(4,245)
Transfers of property and equipment from related parties	(124)	(17)
Transfers of employees' end of service benefit to related parties	-	(1,089)
	(124)	(5,351)

The accompanying notes 1 to 33 form an integral part of these financial statements.

Watania Takaful General (P.J.S.C)

Notes to the financial statements

For the year ended 31 December 2025

1. Legal status and activities

Watania Takaful General (P.J.S.C) (“the Company” or “WTG”) was incorporated as a Public Joint Stock Company and registered with the Securities and Commodities Authority (“SCA”) on 26 March 2008 (Registration No. 1022). The Company has its registered office at P.O. Box 8822, Dubai, United Arab Emirates (“UAE”). Company’s commercial license number is 619252 issued on 17 November 2008. On 6 January 2009, the Company received its license to commence takaful operations in the UAE from the Central Bank of UAE (“the Regulator”) and commenced operations thereafter.

The principal activities of the Company are to carry out general takaful and retakaful activities in accordance with the Islamic Shari'a principles. These activities are carried out by the Company on behalf of the participants (also known as the policyholders) based on a Wakala model.

Watania International Holding (P.J.S.C) owns 100% shares of Watania Takaful General (P.J.S.C).

These financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Decree Law No. (32) of 2021, as amended. The Company is subject to the regulations of the U.A.E. Federal Decree Law No. (48) of 2023, regarding the regulation of the Insurance activities.

On 8 September 2025, the UAE Federal Decree Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect on 16 September 2025 which repealed the UAE Federal Law No. 14 of 2018 and UAE Federal Law No. 48 of 2023. The Company must within a period not exceeding one year from the date of the enforcement of its provisions from 16 September 2025 (“the transitional period”) comply with the provisions of the UAE Federal Decree Law No. (6) of 2025.

2 Application of new and revised IFRS Accounting Standards (IFRSs)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Amendment to IAS 21— Lack of Exchangeability

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

2 Application of new and revised IFRS Accounting Standards (IFRSs) (continued)

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 18 Presentation and Disclosures in Financial Statements

1 January 2027

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the Notes to the condensed interim financial statements
- improve aggregation and disaggregation.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

1 January 2027

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

2 Application of new and revised IFRS Accounting Standards (IFRSs) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 19 Subsidiaries without Public Accountability: Disclosures (continued)

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments 1 January 2026

The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 *Financial Instruments*.

Amendments IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity 1 January 2026

The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.

Translation to a Hyperinflationary Presentation Currency (Amendments to LAS 21) 1 January 2027

The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

2 Application of new and revised IFRS Accounting Standards (IFRSs) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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Annual improvements to IFRS Accounting Standards — Volume 11

1 January 2026

The pronouncement comprises the following amendments:

- IFRS 1: Hedge accounting by a first-time adopter
- IFRS 7: Gain or loss on derecognition
- IFRS 7: Disclosure of deferred difference between fair value and transaction price
- IFRS 7: Introduction and credit risk disclosures
- IFRS 9: Lessee derecognition of lease liabilities
- IFRS 9: Transaction price
- IFRS 10: Determination of a ‘de facto agent’
- IAS 7: Cost method

IFRS Sustainability Disclosure Standards

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Effective date not yet decided by the regulator in the United Arab Emirates

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 Climate-related Disclosures

Effective date not yet decided by the regulator in the United Arab Emirates

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The above stated new standards and amendments are not expected to have any significant impact, other than IFRS 18, will have a material impact on the consolidated financial statements. The Company is currently working to identify the impacts IFRS 18 will have on the consolidated financial statements and its notes.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Company.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material Accounting Policy Information

The material accounting policies applied in the preparation of these financial statements are summarised below.

Statement of compliance

These financial statements are for the year ended 31 December 2025 and are presented in United Arab Emirates Dirham (AED), which is also the functional and presentational currency of the Company. The financial statements have been prepared in accordance with IFRS Accounting Standards promulgated by International Accounting Standard Board (IASB) and interpretations thereof issued by the IFRS Interpretations Committee (“IFRS IC”) and in compliance with the applicable requirements of the United Arab Emirates (U.A.E.) Federal Law No. 32 of 2021, as amended, relating to commercial companies, the UAE Federal Decree-Law No. (6) of 2025 and the Insurance Authority Board of Directors’ Decision No. (26) of 2014 pertinent to the Financial Regulations for Insurance Companies.

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for investment properties, financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income which are measured at fair value, takaful and retakaful contract assets and liabilities which are measured at the present value of their fulfilment cash flows and their contractual service margin (if any) and the provision for employees’ end of service indemnity which is measured in accordance with U.A.E labour laws.

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, prepayments and other receivables, accrued and other payables and current tax liabilities. The following balances would generally be classified as non-current: property and equipment, investment properties, investments at fair value through other comprehensive income, investments at fair value through profit or loss, right of use assets, statutory deposits, lease liability and provision for employees’ end of service indemnity. The following balances are of mixed nature (including both current and non-current portions): investments at amortised cost, retakaful contract assets and liabilities, takaful contract assets and liabilities, bank balances, deferred tax asset and liability and fixed deposits.

While applying the requirements of International Financial Reporting Standard 17 - Insurance Contracts (IFRS-17), the Company has considered policy acquisition cost and general and administrative expenses (attributable) for the assessment of takaful service expenses. This contradicts the principles as per Article 3.3 of Section 7 of the Financial Regulations for Takaful Companies (FRTC) as these are shareholders’ expenses. Further, to remove the mismatch, the wakala fee used is a net off balance between wakala fee charged in the policyholders’ account and attributable expenses.

Takaful Contracts

IFRS 17 (the “Standard”) establishes principles for the recognition, measurement, presentation, and disclosure of takaful contracts, retakaful contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of contributions that relate to recovering takaful acquisition cash flows. In addition, investment components are no longer included in takaful revenue and takaful service expenses.

The Company applies PAA to simplify the measurement of contracts in the non-life insurance segment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material Accounting Policy Information (continued)

Recognition

Recognition requirements are slightly different for issued takaful contracts and retakaful held contracts. For groups of issued takaful contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; or if there is no contractual due date, when it is received from the policyholder and
- For a group of onerous contracts when the group becomes onerous.

Retakaful contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of retakaful contracts held; and
- Date the entity recognises an onerous group of underlying takaful contracts provided the retakaful contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional retakaful contracts held shall be delayed until the recognition of the first underlying contract issued under that retakaful contract.

Takaful Contracts

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The Standard has set out the following requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.
- Cohorts – contracts from 1st January to 31st December based on issue date are combined into annual cohorts

For this purpose, the Standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts.

Retakaful portfolios are divided into:

- Group of contracts on which there is a net gain on initial recognition
- Group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- Group of the remaining contracts

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

The Company includes in the measurement of a group of takaful contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the contributions, or in which the Company has a substantive obligation to provide the policyholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Takaful Contracts (continued)

Cohorts (continued)

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

For retakaful 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 Company 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

Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of takaful contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

Premium Allocation Approach (“PAA”)

The Premium Allocation Approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage (“LRC”) is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company uses the PAA approach for measuring all its insurance contracts. The Company is adopting the PAA measurement model for the measurement of LRC for all its insurance contracts and reinsurance contracts. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Takaful Contracts (continued)

Measurement Models (continued)

Premium Allocation Approach (“PAA”) (continued)

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the Liability for Incurred Claims (“LIC”), comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period
- b. decreased for insurance acquisition cash flows paid in the period;
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period recognised in profit or loss over the expired portion of the coverage period based on the passage of time.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period;
- b. increased for broker fees paid in the period, if any; and
- c. decreased for the expected amounts of ceding premiums and broker fees, if any, recognised as reinsurance expenses for the services received in the period recognised in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company does not adjust the LRC for takaful contracts issued and the remaining coverage for retakaful contracts held for the effect of the time value of money, because takaful contributions are due within the coverage period of contracts, which is one year or less.

Estimates of Future Cashflows

The Standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., contribution. The Standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. For retakaful contracts, the risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer. Risk adjustment does not consider financial risk. The Standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

Discounting

The Standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions, it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Takaful Contracts (continued)

Discounting (continued)

The Standard recognises the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used and an illiquidity contribution is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows. The Company uses Bottom-up approach for the derivation of the discount rates.

Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous, a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

Accounting policies for the Modification and derecognition

The Company derecognises insurance contracts when:

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

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

Key Accounting Policy Choices

IFRS 17 requires Company to make various accounting policy choices. The key accounting policy choices made by the Company are described below:

Accounting Policy	Company
Level of Aggregation – Adopting more granular profitability classification	The Company has decided profitability based on the following criteria: <ul style="list-style-type: none"> • If the normalised and risk adjusted combined ratio is greater than 100%, tag the cluster as “onerous”. • If the normalised and risk adjusted combined ratio is less than 95%, tag the cluster as “non-onerous”. All other clusters will be tagged as “remaining”.
Level of Aggregation – Adopting more granular cohort classification	The Company has decided to use annual cohorts for all portfolios and define the year from 1st January to 31st December.
PAA – Deferring takaful acquisition cashflows	The Company has decided to continue deferring takaful acquisition cashflows under IFRS 17.
Profit Accretion – OCI Option	The Company has decided to not disaggregate the difference between profit and loss and other comprehensive income.

Assumptions

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of takaful and retakaful contract assets and liabilities and associated revenues and expenses).

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Takaful Contracts (continued)

Assumptions (continued)

The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) must be market consistent.

Takaful revenue

The takaful revenue under PAA for the year is the amount of expected premium receipts (excluding any investment component) allocated to the year. The Company allocates the expected premium receipts to each year of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage year differs significantly from the passage of time, then on the basis of the expected timing of incurred claims.

All revenue for contracts under PAA has been recognised on the basis of the passage of time except for a small segment of the non-life business where the revenue has been recognised based on the expected timing of incurred claims.

Takaful finance income and expense

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful 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.

For contracts measured under the PAA, the main amounts within takaful finance income or expenses are:

- interest accreted on the LIC & Assets of incurred claims (“AIC”); and
- the effect of changes in interest rates and other financial assumptions.

Net income or expense from retakaful contracts held

The Company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from retakaful, and an allocation of the retakaful premiums paid. The Company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful contract held, and excludes investment components and commissions (to the extent commissions are contingent on claims) from an allocation of retakaful premiums presented on the face of the statement of profit or loss.

Takaful acquisition costs

Takaful acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of takaful contracts (issued or expected to be issued) and that are directly attributable to a portfolio of takaful contracts. Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of takaful contracts. The Company allocates the attributable costs based on a number of drivers. Both acquisition and attributable costs fall under the takaful service expense. While the non-attributable costs are reported under other operating expenses.

Presentation and disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. Another key requirement relates to the presentation of retakaful contracts held.

In addition to the above requirements, the new standard also introduces various new disclosures related to the takaful and retakaful contract assets and liabilities and associated revenues and expenses including the disaggregation of takaful contract assets and liabilities and retakaful contract assets and liabilities.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Presentation and disclosures (continued)

a. Takaful finance income or expenses (P&L vs OCI)

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

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

The Company does not disaggregate takaful finance income or expenses on takaful contracts between profit or loss and OCI. Finance income or expenses on the Company's issued retakaful contracts is also not disaggregated, hence, recognised in the profit or loss.

b. Discounting of LRC under PAA

Under the PAA, discounting of the Liability for Remaining Coverage (LRC) is applied only if there is a significant financing component. As none exists, no discounting has been applied to the LRC.

c. Presentation of retakaful income and expenses

Although IFRS 17 allows net presentation, the Company has elected to present retakaful income and related expenses separately.

IFRS 9 Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective funding cost method, less provision for impairment. Discounting is omitted where the effect is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Financial assets at amortised cost comprise of investments at amortised cost, cash and cash equivalents, statutory deposits and most other receivables.

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to statement of profit or loss but is reclassified to retained earnings.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

IFRS 9 Financial Instruments (continued)

Classification and subsequent measurement of financial assets (continued)

iii) Financial assets at fair value through profit and loss ('FVTPL')

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in statement of income when the Company's right to receive the dividends is established

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors.

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) is not depreciated.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Leasehold improvements	5 – 10 years
Furniture and fittings	5 years
Office equipment	5 years
Computer equipment and software	3 - 5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate at each financial year end.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenditure is recognised in the statement of income as the expense is incurred.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Leases

The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the funding cost rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

The lease liability is measured at amortised cost using the effective funding cost method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-to-use assets that do not meet the definition of investment property in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

Short term operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the statement of profit or loss. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

Product classification

Takaful contracts are those contracts where a group of policyholders (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic Takaful operations in consideration for a Wakala fee. The Takaful amounts (contributions) paid net of the Wakala fee are considered as funds available for Mudarba, where the Company acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, (Mudarib fee) if any.

The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent.

In case of deficit in policyholders' operation, such deficit is funded by the shareholders as a Qard Hasan (profit free loan).

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Surplus/deficit in participants' funds

Surplus in participants' funds represents accumulated gains on takaful activities, which after repayment of Qard Hasan, are distributed among the participants. The timing, quantum and the basis of distribution are determined by the Company and are approved by its Internal Shari'ah Supervision Committee (ISSC). The Company has obtained approval from the Internal Shari'ah Supervision Committee on 4 December 2016 to distribute participants' profits only once the invested assets in the participants' funds are at least 25% in excess of the required technical provisions under the new financial regulations issued by the Central bank of UAE. Deficits in participants' funds are financed through Qard Hasan by the Company and thereafter fully provided for by the Company. Accordingly, assets, liabilities, revenue and expenses relating to the participants' funds are recognised in the financial statements of the Company.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in the United Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Revenue (other than takaful revenue)

Fee and commission income

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

Dividend income

Dividend income is recognised when the Company's right to receive the payment has been established.

Profit income

Profit income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Profit income is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross premiums. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

Wakala fee

The Company manages the takaful operations on behalf of the participants for a Wakala fee, which is calculated as a proportion of gross contributions and related expenses. The investments of the participants are also managed by the Company as a Mudarib under a profit sharing arrangement.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Provisions

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

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

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

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities. The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

Taxes

Tax Group and tax sharing mechanism

The Tax group, *Watania Takaful Group*, comprises Watania International Holding PJSC (the Parent) and its subsidiaries, Watania Takaful General PJSC and Watania Takaful Family PJSC. The Group is registered as a tax group with the Federal Tax Authority ("FTA") in the United Arab Emirates in accordance with Article 40 of the UAE Corporate Tax Law, pursuant to the authority granted under Article 4 of Federal Decree-Law No. 13 of 2016.

The tax group is registered under Tax Registration Number 104863579900001. Accordingly, corporate income tax is assessed and payable on a consolidated basis at the tax group level.

Where a member of the tax group incurs a taxable loss for a financial year, such loss may be offset against the taxable profits of other group members in accordance with UAE Corporate Tax legislation. The allocation of group tax benefits and liabilities among group entities is governed by a tax sharing arrangement, which inter alia provides the following:

- group tax losses and the basic exemption limit are allocated to profitable entities in proportion to their respective taxable incomes for the relevant period; and
- any unutilised losses remain with the loss-making entity and are carried forward in accordance with applicable tax regulations.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3. Material accounting policy information (continued)

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

As per IAS 12 - 'Income Taxes', deferred tax is the amount of taxes expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements (from applying IFRS Standards) and the corresponding amounts attributed to those assets and liabilities for tax purposes i.e. the tax bases used in the computation of taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

4. Critical accounting estimates and judgments in applying accounting policies

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

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

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

Takaful contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium. Risk free rates are determined by reference to the USD risk free yield curves. The illiquidity premium is determined based on judgment, given contracts are considered to be fairly liquid, hence a very small illiquidity premium of 0.5% is used in line with market benchmarks.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2025	2024	2025	2024	2025	2024	2025	2024
Takaful contracts issued	3.93%	4.68%	3.84%	4.56%	3.97%	4.52%	4.34%	4.57%
Retakaful contracts issued	3.93%	4.68%	3.84%	4.56%	3.97%	4.52%	4.34%	4.57%

Risk adjustment for non-financial risk

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

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

4.1. Critical accounting estimates and judgments in applying accounting policies (continued)

Risk adjustment for non-financial risk (continued)

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 65th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

Investment properties fair value judgement

Fair value of investment property is estimated by two independent professional valuers, considering the rental yield (income approach). This estimate is made on an annual basis considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Expected credit losses

Management reviews the provision for expected credit losses at each reporting date by assessing the recoverability of takaful and retakaful receivables. For non-takaful receivables the recoverability is assessed and expected credit losses are created in compliance with the General approach approach under the IFRS 9 methodology. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTOCI, FVTPL or, Investments at amortised cost.

Equity instruments are classified as FVTOCI securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading. Management is satisfied that the Company's investments in securities are appropriately classified.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

5. Investment properties

	2025 AED'000	2024 AED'000
Balance at 1 January	55,539	51,467
Increase in fair value during the year, net	3,110	4,072
Balance at 31 December	<u>58,649</u>	<u>55,539</u>
<i>Attributable to:</i>		
Policyholders	<u>58,649</u>	<u>55,539</u>

The investment properties represent the fair value of the properties located in U.A.E.

The fair value of the Company's investment properties as at 31 December 2025 has been arrived at on the basis of valuations carried on the respective dates by two independent valuers who are not related to the Company and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. Level 3).

The fair value was determined based on the income capitalisation approach and market comparable approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The property rental income earned by the Company from its investment properties which are leased under operating leases and the direct operating expenses arising in the management of investment properties were as follows:

	2025 AED'000	2024 AED'000
Rental income	4,565	3,983
Direct operating expenses	(516)	(1,780)
Rental income from investment property - net	<u>4,049</u>	<u>2,203</u>

6. Investment in securities

Investments held at amortised cost

	2025 AED'000	2024 AED'000
Quoted debt securities inside U.A.E.	<u>1,761</u>	<u>10,568</u>
	<u>1,761</u>	<u>10,568</u>
<i>Attributable to:</i>		
Policyholders	<u>1,761</u>	<u>10,568</u>

The fair value of the investments at amortised cost amounted to AED 1.7 million as of 31 December 2025 (31 December 2024: AED 10.4 million).

Investments held at amortised cost amounting to AED 1.7 million as of December 31, 2025 (31 December 2024: AED 9.5 million) are pledged in relation to a takaful business related performance taken by the Parent company.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

6. Investment in securities (continued)

Investments held at fair value through profit or loss (“FVTPL”)

	2025 AED’000	2024 AED’000
Quoted debt securities inside U.A.E.	52,228	38,333
Quoted equity securities inside U.A.E.	48,631	39,624
	<u>100,859</u>	<u>77,957</u>
<i>Attributable to:</i>		
Policyholders	91,635	77,957
Shareholders	<u>9,224</u>	<u>-</u>

The movement in financial assets in securities are as follows:

	Investments held at amortised cost AED’000	Investments held at FVTPL AED’000	Total AED’000
2025			
At 1 January	10,568	77,957	88,525
Addition during the year		65,988	65,988
Disposal during the year		(48,567)	(48,567)
Matured during the year	(8,807)	-	(8,807)
Realised gain recorded in the statement of profit or loss	-	982	982
Unrealised gain recorded in the statement of profit or loss	-	4,499	4,499
At 31 December 2025	<u>1,761</u>	<u>100,859</u>	<u>102,620</u>

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

6. Investment in securities (continued)

The movement in financial assets in securities (continued)

	Investments held at amortised cost AED'000	Investments held at FVTOCI AED'000	Investments held at FVTPL AED'000	Total AED'000
2024				
At 1 January	15,456	5,197	42,846	63,499
Addition during the year	-	-	61,812	61,812
Transfer from related parties	4,245	-	-	4,245
Disposal during the year	-	(4,998)	(33,136)	(38,134)
Matured during the year	(9,532)	-	-	(9,532)
Amortisation of discount	379	-	-	379
Allowance of expected credit losses	20	-	(4)	16
Realised gain recorded in the statement of profit or loss	-	-	1,559	1,559
Unrealised gain recorded in the statement of profit or loss	-	-	4,880	4,880
Movement in cumulative changes in fair value of investments held at FVTOCI	-	(199)	-	(199)
At 31 December 2024	10,568	-	77,957	88,525

7. Takaful and retakaful contracts

The breakdown of groups of takaful and retakaful contracts issued, and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2025			2024		
	Assets AED'000	Liabilities AED'000	Net Assets AED'000	Assets AED'000	Liabilities AED'000	Net Assets AED'000
Takaful contracts issued						
Motor	-	(93,193)	(93,193)	-	(112,270)	(112,270)
Non-motor	-	(221,205)	(221,205)	19	(313,948)	(313,929)
Total takaful contracts issued	-	(314,398)	(314,398)	19	(426,218)	(426,199)
Retakaful contracts held						
Motor	4,701	(1,255)	3,446	22,204	-	22,204
Non-motor	134,968	(4,889)	130,079	185,887	(3,307)	182,580
Total retakaful contracts held	139,669	(6,144)	133,525	208,091	(3,307)	204,784

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims

2025	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	
Takaful contract liabilities as at 1 January 2025	147,084	-	264,670	14,464	426,218
Takaful contract assets as at 1 January 2025	(22)	-	3	-	(19)
Net Takaful contract liabilities as at 1 January 2025	147,062	-	264,673	14,464	426,199
Takaful revenue	(326,235)	-	-	-	(326,235)
Takaful service expenses					
Incurred claims and other expenses	-	-	192,398	9,328	201,726
Net takaful acquisition costs	84,145	-	-	-	84,145
Changes to liabilities for incurred claims	-	-	(64,947)	(11,742)	(76,689)
Takaful service result	(242,090)	-	127,451	(2,414)	(117,053)
Takaful finance expenses	-	-	5,829	-	5,829
Total changes in the statement of comprehensive income	(242,090)	-	133,280	(2,414)	(111,224)
Cash flows					
Contributions received	268,829	-	-	-	268,829
Claims and other expenses paid	-	-	(182,468)	-	(182,468)
Takaful acquisition cash flows	(86,938)	-	-	-	(86,938)
Total cash flows	181,891	-	(182,468)	-	(577)
Takaful contract liabilities as at 31 December 2025	86,863	-	215,485	12,050	314,398
Net takaful contract liabilities as at 31 December 2025	86,863	-	215,485	12,050	314,398

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2024	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	
Takaful contract liabilities as at 1 January 2024	114,196	296	105,473	4,680	224,645
Net Takaful contract liabilities as at 1 January 2024	114,196	296	105,473	4,680	224,645
Takaful revenue	(334,646)	-	-	-	(334,646)
Takaful service expenses					
Incurred claims and other expenses	-	-	366,682	17,035	383,717
Net takaful acquisition costs	78,696	-	-	-	78,696
Reversals of losses on onerous contracts	-	(296)	-	-	(296)
Changes to liabilities for incurred claims	-	-	95,198	(7,251)	87,947
Takaful service result	(255,950)	(296)	461,880	9,784	215,418
Takaful finance expenses	-	-	1,357	-	1,357
Total changes in the statement of comprehensive income	(255,950)	(296)	463,237	9,784	216,775
Cash flows					
Contributions received	370,339	-	-	-	370,339
Claims and other expenses paid	-	-	(304,037)	-	(304,037)
Takaful acquisition cash flows	(81,523)	-	-	-	(81,523)
Total cash flows	288,816	-	(304,037)	-	(15,221)
Takaful contract liabilities as at 31 December 2024	147,084	-	264,670	14,464	426,218
Takaful contract assets as at 31 December 2024	(22)	-	3	-	(19)
Net takaful contract liabilities as at 31 December 2024	147,062	-	264,673	14,464	426,199

Watania Takaful General (P.J.S.C)

Notes to the financial statements

For the year ended 31 December 2025 (continued)

7. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

2025	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss Recovery component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
Retakaful contract assets as at 1 January 2025	(138,183)	-	334,569	11,705	208,091
Retakaful contract liabilities as at 1 January 2025	(12,209)	-	8,786	116	(3,307)
Net retakaful contract (liabilities)/assets	(150,392)	-	343,355	11,821	204,784
Allocation of retakaful premiums	(120,416)	-	-	-	(120,416)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	56,810	2,050	58,860
Changes to amounts recoverable for incurred claims	-	-	(52,820)	(5,184)	(58,004)
Net income or expense from retakaful contracts held	(120,416)	-	3,990	(3,134)	(119,560)
Retakaful finance income	-	-	7,157	-	7,157
Total changes in the statement of comprehensive income	(120,416)	-	11,147	(3,134)	(112,403)
Cash flows					
Retakaful contribution and expenses paid	132,353	-	1,073	-	133,426
Amounts received	-	-	(92,282)	-	(92,282)
Total cash flows	132,353	-	(91,209)	-	41,144
Retakaful contract assets as at 31 December 2025	(129,827)	-	261,022	8,474	139,669
Retakaful contract liabilities as at 31 December 2025	(8,628)	-	2,271	213	(6,144)
Net retakaful contract (liabilities)/assets as at 31 December 2025	(138,455)	-	263,293	8,687	133,525

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
Retakaful contract assets as at 1 January 2024	(14,684)	-	34,894	1,319	21,529
Retakaful contract liabilities as at 1 January 2024	(84,125)	-	65,965	2,089	(16,071)
Net retakaful contract (liabilities)/assets	(98,809)	-	100,859	3,408	5,458
Allocation of retakaful premiums	(111,422)	-	-	-	(111,422)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	147,962	5,332	153,294
Changes to amounts recoverable for incurred claims	-	-	141,566	3,081	144,647
Net income or expense from retakaful contracts held	(111,422)	-	289,528	8,413	186,519
Retakaful finance income	-	-	998	-	998
Total changes in the statement of comprehensive income	(111,422)	-	290,526	8,413	187,517
<i>Cash flows</i>					
Retakaful contribution and expenses paid	59,839	-	1,040	-	60,879
Amounts received	-	-	(49,070)	-	(49,070)
Total cash flows	59,839	-	(48,030)	-	11,809
Retakaful contract assets as at 31 December 2024	(138,183)	-	334,569	11,705	208,091
Retakaful contract liabilities as at 31 December 2024	(12,209)	-	8,786	116	(3,307)
Net retakaful contract (liabilities)/assets as at 31 December 2024	(150,392)	-	343,355	11,821	204,784

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

8. Due from/to shareholders and due to/from policyholders

The balance consists of the net of Wakala fees and Qard Hassan balances that is due from the policyholders to the shareholders amounting to AED 81.2 million (2024: AED 2.6 million due from shareholders).

9. Prepayments and other receivables

	2025 AED'000	2024 AED'000
Amounts due from related parties	62,215	114,156
Prepaid expenses	3,075	3,842
Accrued profit on wakala deposits and sukuks	2,892	833
Other receivables	5,086	5,841
	<u>73,268</u>	<u>124,672</u>
Attributable to:		
Policyholders	4,852	3,770
Shareholders	68,416	120,902
	<u>73,268</u>	<u>124,672</u>

10. Cash and cash equivalents

	2025 AED'000	2024 AED'000
Cash and bank balances	37,543	59,478
Wakala and restricted deposits	143,728	106,703
	<u>181,271</u>	<u>166,181</u>
Less: Restricted deposit	(6,000)	(6,000)
Less: Deposits under lien	(9,755)	(4,679)
Less: Deposits pledged against parent company's Murabaha facility	(53,000)	(22,500)
Less: Deposits with original maturities of more than three months	(49,973)	(84,203)
Cash and cash equivalents for the purpose of cash flows	<u>62,543</u>	<u>48,799</u>
<i>Attributable to policyholders:</i>		
Wakala deposits	114,776	71,050
Cash and bank balances	32,586	41,473
	<u>147,362</u>	<u>112,523</u>
<i>Attributable to shareholders:</i>		
Restricted deposit	6,000	6,000
Wakala deposits	22,952	29,653
Cash and bank balances	4,957	18,005
	<u>33,909</u>	<u>53,658</u>
Total cash and cash equivalents	<u>181,271</u>	<u>166,181</u>

Bank guarantees issued by local banks on behalf of the Company are secured against wakala deposits of AED 9.8 million (31 December 2024: AED 4.7 million). The outstanding guarantees issued in lieu of statutory deposits and deposits under lien as at 31 December 2025 amounted to AED 15.8 million (31 December 2024: AED 10.7 million).

Restricted deposit: At 31 December 2025, the statutory deposit of AED 6 million (31 December 2024: AED 6 million) has been placed with Dubai Islamic Bank as a Wakala deposit in accordance with Federal Law No. (6) of 2025 for the purpose of carrying out takaful operations in the United Arab Emirates and cannot be withdrawn without the approval of the Central Bank of UAE. These deposits have a fixed maturity of one year from the date of deposit and yield a profit rate of 3.5% per annum (2024: 4.25% per annum)

Wakala deposits: The wakala deposits carried an anticipated profit rate of 3.29% to 4.65% per annum (31 December 2024: 3.80% to 5.20% per annum). Deposits amounting to AED 53 million are pledged for a Murabaha facility taken by Parent Company and, Wakala deposits and bank balances of AED 1 million are under the name of related parties.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

11. Property and equipment

	Leasehold improvements AED'000	Furniture and fittings AED'000	Office equipment AED'000	Computer equipment and software AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2024	6,109	292	441	12,505	68	19,415
Additions during the year	309	124	2	3,101	2,504	6,040
Write-offs	-	-	-	(186)	-	(186)
Transfers during the year	481	-	-	858	(1,339)	-
Transfer from related party during the year	-	17	-	-	-	17
At 31 December 2024	6,899	433	443	16,278	1,233	25,286
Additions during the year	-	-	-	8	920	928
Disposals during the year	-	-	-	-	(242)	(242)
Write-offs	(201)	-	-	-	-	(201)
Transfers during the year	-	-	-	1,314	(1,314)	-
Transfer from related party during the year	-	-	-	-	(124)	(124)
At 31 December 2025	6,698	433	443	17,600	473	25,647
Accumulated depreciation						
At 1 January 2024	387	38	215	11,490	-	12,130
Charge for the year	850	77	66	1,558	-	2,551
Write-offs	-	-	-	(145)	-	(145)
At 31 December 2024	1,237	115	281	12,903	-	14,536
Charge for the year	834	84	55	1,927	-	2,900
Write-offs	(63)	-	-	-	-	(63)
At 31 December 2025	2,008	199	336	14,830	-	17,373
Carrying amount						
At 31 December 2025	4,690	234	107	2,770	473	8,274
At 31 December 2024	5,662	318	162	3,375	1,233	10,750

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

12. Right-of-use asset

	2025 AED'000	2024 AED'000
Right of use asset		
At 1 January	3,437	4,490
Depreciation and adjustments for the year	(982)	(1,053)
At 31 December	<u>2,455</u>	<u>3,437</u>
Lease liability		
At 1 January	3,801	4,712
Finance cost for the year	173	225
Payments and adjustments during the year	(1,248)	(1,136)
At 31 December	<u>2,726</u>	<u>3,801</u>

13. Accruals and other payables

	2025 AED'000	2024 AED'000
Amount due to related parties	35,686	34,457
Accrued expenses	1,864	1,434
Other payables	13,955	11,347
	<u>51,505</u>	<u>47,238</u>
<i>Attributable to:</i>		
Policyholders	42,188	41,535
Shareholders	9,317	5,703
	<u>51,505</u>	<u>47,238</u>

14. Qard Hassan

	2025 AED'000	2024 AED'000
Deficit in policyholders' fund:		
Balance as at 1 January 2025	(111,396)	(87,288)
Surplus / (deficit) during the year	5,637	(24,108)
As at 31 December 2025	<u>(105,759)</u>	<u>(111,396)</u>
Qard Hasan from shareholders		
Balance as at 1 January 2025	111,396	87,288
(Reversal) / provision during the year	(5,637)	24,108
As at 31 December 2025	<u>105,759</u>	<u>111,396</u>

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

15. Employees' end of service benefits

Movements in the provision for employees' end of service benefits during the year were as follows:

	2025 AED'000	2024 AED'000
As at 1 January	2,992	3,918
Charged during the year	583	1,667
Transfer to related party during the year	-	(1,089)
Paid during the year	(1,319)	(1,504)
As at 31 December	<u>2,256</u>	<u>2,992</u>

16. Share capital

	2025 AED'000	2024 AED'000
Authorised share capital of the company is AED 200,000,000.		
Issued and fully paid up share capital: 167,500,000 shares of AED 1 each (2024: 167,500,000 shares of AED 1 each)	<u>167,500</u>	<u>167,500</u>

The Board of Directors has proposed a cash dividend of AED 12.56 million for the year ended 31 December 2025 (2024: No proposed cash dividend).

17. Reserves

Statutory reserve

In accordance with the Company's Articles of Association and Federal Decree Law No. (32) of 2021, as amended, a minimum of 10% of the Company's profit for the year should be transferred to a non-distributable statutory reserve. As per the Company's Articles of Association, such transfers are required until the balance on the statutory reserve equals 50% of the Company's paid-up share capital.

Retakaful reserve

In accordance with Article 34 issued by the Central Bank of the United Arab Emirates ("CBUAE"), Board of Directors Decision No. (23) of 2019 the Company has created a retakaful reserve and transferred an amount of AED 0.73 million (2024: AED 0.65 million) from retained earnings to retakaful reserve. The Company shall accumulate such reserve year on year and not dispose off the reserve without the written approval of the Director General of the Central Bank of the United Arab Emirates ("CBUAE").

18. Related party transactions

Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties.

Related parties represent the major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

18. Related party transactions (continued)

Balances with related parties

Balances with related parties included in the statement of financial position are as follows:

	2025 AED'000	2024 AED'000
<i>Due from related parties:</i>		
Watania International Holding (P.J.S.C.) – <i>Parent Company</i>	<u>26,529</u>	52,271

Due to related parties:

Watania Takaful Family (P.J.S.C) – <i>Entity under common control</i>	<u>-</u>	9,219
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Balances with related parties included in the statement of financial position are as follows:

Attributable to policyholders:

Due to related parties	<u>35,686</u>	71,056
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Attributable to shareholders:

Due from related parties	<u>62,215</u>	114,108
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Transactions with related parties included in the financial statements are as follows:

	2025 AED'000	2024 AED'000
Gross contributions in respect of takaful contracts	7	4
Transfers of investment securities	-	(4,245)
Transfers of property and equipment	124	(17)
Transfers of employees' end of service benefit	-	(1,089)
<i>Expenses recharged:</i>		
Recharged to Watania Takaful Family ("WTF")	25,891	24,426
Recharged from Watania International Holding ("WIH")	<u>23,583</u>	23,720

Certain costs such as personnel costs, rent and utilities, advertising, legal and professional expenses and depreciation are incurred by related parties, which are shared on a mutually agreed basis. The shared service costs are allocated on the approximate basis of 42.5% to Company, 52.5% to Watania Takaful Family ("WTF") and 5% to Watania International Holding ("WIH") (2024: 42.5% to Company, 52.5% to WTF and 5% to WIH).

Deposits amounting to AED 53 million are pledged for a Murabaha facility taken by Parent Company. Other than bank balances and wakala deposits amounting to AED 1 million (2024: the legal title of the investment properties amounting to AED 44.8 million, investments at FVTPL amounting to AED 1.8 million and bank balances amounting to AED 2.2 million were in the name of related parties), all other legal titles have been transferred to the Company during the year.

Compensation of key management personnel

	2025 AED'000	2024 AED'000
Short term benefits	870	1,432
Long term benefits	15	76
	<u>885</u>	1508

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

19. Takaful service expense

	Motor AED'000	Non-Motor AED'000	Total AED'000
2025			
Incurring claims and other expenses	104,780	96,946	201,726
Net takaful acquisition costs	35,184	48,961	84,145
Changes to liabilities for incurred claims	1,148	(77,837)	(76,689)
	<u>141,112</u>	<u>68,070</u>	<u>209,182</u>
2024			
Incurring claims and other expenses	139,568	244,149	383,717
Net takaful acquisition costs	42,113	36,583	78,696
Reversals of losses on onerous contracts	(296)	-	(296)
Changes to liabilities for incurred claims	64,725	23,222	87,947
	<u>246,110</u>	<u>303,954</u>	<u>550,064</u>

20. Net takaful financial result

The table below illustrates takaful finance expenses from takaful contracts held:

	Motor AED'000	Non-Motor AED'000	Total AED'000
2025			
Takaful finance expenses from takaful contracts issued			
Profit accreted to takaful contracts using current financial assumptions	(478)	(4,391)	(4,869)
Due to changes in profit rates and other financial assumptions	(158)	(802)	(960)
Total takaful finance expenses from takaful contracts issued	<u>(636)</u>	<u>(5,193)</u>	<u>(5,829)</u>
2024			
Profit accreted to takaful contracts using current financial assumptions	(293)	(1,656)	(1,949)
Due to changes in profit rates and other financial assumptions	48	544	592
Total takaful finance expenses from takaful contracts issued	<u>(245)</u>	<u>(1,112)</u>	<u>(1,357)</u>

The table below illustrates retakaful finance income from retakaful contracts held:

2025			
Profit accreted to retakaful contracts using current financial assumptions	640	5,509	6,149
Due to changes in profit rates and other financial assumptions	65	943	1,008
Retakaful finance income from retakaful contracts held	<u>705</u>	<u>6,452</u>	<u>7,157</u>
2024			
Profit accreted to retakaful contracts using current financial assumptions	191	1,516	1,707
Due to changes in profit rates and other financial assumptions	(80)	(629)	(709)
Retakaful finance income from retakaful contracts held	<u>111</u>	<u>887</u>	<u>998</u>

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

21. Wakala fees and Mudarib's fee

Wakala fees

Wakala fee for the year ended 31 December 2025 amounted to AED 7.72 million (2024: AED 7.77 million), 33% on gross contribution charged and then attributed general and administration expenses and policy acquisition costs are reduced from it (2024: 31% on gross contribution charged and then attributed general and administration expenses and policy acquisition costs are reduced from it). Wakala fee is charged to the statement of profit or loss when gross contribution is booked.

	2025 AED'000	2024 AED'000
Wakala fees charged before acquisition costs and attributed general and admin expenses	102,168	99,617
General and admin. expenses attributed to takaful and retakaful operations	(37,702)	(35,547)
Policy acquisition costs	(56,746)	(56,297)
Wakala fees non-attributed with takaful and retakaful expenses	7,720	7,773

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib fee is charged at 35% (2024: 35%) of net investment income. During the year, Mudarib's fee amounted to AED 6.15 million (2024: AED 6.96 million).

22. Investment and other income

2025	Policyholders AED'000	Shareholders AED'000	Total AED'000
<i>Fair value gain</i>			
Fair value gain on investment properties	3,110	-	3,110
Fair value gain on investments at FVTPL	5,333	148	5,481
<i>Other investment income</i>			
Income from wakala deposits	4,353	1,190	5,543
Dividend income	2,197	-	2,197
Profit from sukuks	1,882	453	2,335
Investment related expenses	(222)	-	(222)
Recognition of expected credit losses	(12)	(3)	(15)
Rental income from investments properties – net	4,050	(1)	4,049
	20,691	1,787	22,478
2024			
Fair value gain on investment properties	4,072	-	4,072
Fair value gain on investments at FVTPL	6,439	-	6,439
<i>Other investment income</i>			
Income from wakala deposits	5,068	2,139	7,207
Dividend income	1,464	-	1,464
Profit from sukuks	1,645	82	1,727
Investment related expenses	(1,093)	-	(1,093)
Reversal of expected credit losses	83	3	86
Rental income from investments properties – net	2,203	-	2,203
Other income	-	295	295
	19,881	2,519	22,400

Investment income has been allocated to the shareholders and policyholders on the basis of investments held by each fund.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

23. General and administrative expenses

	2025 AED'000	2024 AED'000
Staff costs	2,866	3,863
IT and related costs	821	810
Legal and professional fees	328	750
Depreciation	369	352
Advertising and marketing expenses	46	179
Association/registration fees	261	141
Communication expenses	62	117
Rent and utilities charges	116	90
Travelling expenses	-	26
Printing and stationery charges	5	8
Others	544	625
	<u>5,780</u>	<u>6,961</u>

Included within general and administrative expenses, are recharges from/to related parties as mentioned in note 18. There are no social contributions made during the year (2024: Nil).

24. Fatwa and Sharia'a supervisory board

The Company's business activities are subject to the supervision of a Fatwa and Shari'a Supervisory Board (FSSB) consisting of three members appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shari'a rules and principles.

According to the Company's FSSB, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Shari'a rules and principles, as interpreted by FSSB, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

25. Segmental information

For management purposes, the Company is organised into business units based on its products and services and has three reportable operating segments as follows:

	Motor line of business		Other lines of business		Shareholders' Funds		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Takaful revenue	140,194	161,555	186,041	173,091	-	-	326,235	334,646
Takaful service expenses	(141,112)	(246,110)	(68,070)	(303,954)	-	-	(209,182)	(550,064)
Takaful service result before retakaful contracts held	(918)	(84,555)	117,971	(130,863)	-	-	117,053	(215,418)
Allocation of retakaful premiums	(9,055)	(12,432)	(111,361)	(98,990)	-	-	(120,416)	(111,422)
Amounts recoverable /(repayable) from / (to) retakaful for incurred claims	1,912	52,571	(1,056)	245,370	-	-	856	297,941
Net (expenses) / income from retakaful contracts held	(7,143)	40,139	(112,417)	146,380	-	-	(119,560)	186,519
Takaful service result	(8,061)	(44,416)	5,554	15,517	-	-	(2,507)	(28,899)
Takaful finance expenses for takaful contracts issued	(636)	(245)	(5,193)	(1,112)	-	-	(5,829)	(1,357)
Retakaful finance income for retakaful contracts held	705	111	6,452	887	-	-	7,157	998
Net takaful (loss)/income	(7,992)	(44,550)	6,813	15,292	-	-	(1,179)	(29,258)
Net realised gain on financial assets at FVTPL	368	753	605	806	9	-	982	1,559
Net unrealised fair value gain on financial assets at FVTPL	1,650	2,356	2,710	2,524	139	-	4,499	4,880
Other investment income	5,811	6,489	9,547	6,953	1,639	2,519	16,997	15,961
Total investment income	7,829	9,598	12,862	10,283	1,787	2,519	22,478	22,400
Wakala and mudarib fees	(4,386)	(4,290)	(9,487)	(10,441)	13,873	14,731	-	-
Total operational (loss)/income	(4,549)	(39,242)	10,188	15,134	15,660	17,250	21,299	(6,858)
General and administrative expenses	-	-	-	-	-	-	(5,780)	(6,961)
Income tax expense	-	-	-	-	-	-	(1,015)	(834)
(Loss)/profit for the year after tax	(4,549)	(39,242)	10,188	15,134	-	-	14,504	(14,653)

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

25. Segmental information (continued)

	Takaful		Shareholders		Total	
	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000
Segment assets	443,928	471,060	203,476	188,747	647,404	659,807
Segment liabilities	443,928	471,060	16,148	15,923	460,076	486,983

The Company's operations are primarily conducted in the United Arab Emirates.

Gross written contribution

Details relating to gross written contribution are disclosed below to comply with the requirements of CBUAE and are not as per the requirements of IFRS 17.

2025	Motor AED'000	Non-Motor AED'000	Total AED'000
Direct written contribution	116,942	184,575	301,517
Assumed business			
Foreign	-	-	-
Local	-	7,572	7,572
Total assumed business	-	7,572	7,572
Gross written contribution	116,942	192,147	309,089
2024	Motor AED'000	Non-Motor AED'000	Total AED'000
Direct written contribution	155,672	159,108	314,780
Assumed business			
Foreign	-	-	-
Local	-	6,565	6,565
Total assumed business	-	6,565	6,565
Gross written contribution	155,672	165,673	321,345

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Notes to the financial statements
For the year ended 31 December 2025 (continued)

26. Capital management

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management function is carried out by the Board of Directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the Board of Directors to the Managing Director.

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Management under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limit's structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the U.A.E. and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. During the year, the Company was fully compliant with the externally imposed capital requirements (2024: the Company was not fully compliant with the externally imposed capital requirements until the Company received a capital injection from its Parent Company of AED 35 million at AED 1 par value per share, following which, the Company became fully compliant).

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations.

	31 December 2025 AED'000	31 December 2024 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	77,798	77,757
Minimum Guarantee Fund (MGF)	51,692	55,367
Basic Own Funds	136,376	112,658
MCR Solvency Margin – Surplus/(Deficit)	36,376	12,658
SCR Solvency Margin – Surplus/(Deficit)	58,578	34,901
MGF Solvency Margin – Surplus/(Deficit)	84,684	57,292

As at 31 December 2025, Wakala deposits and bank balances of AED 1 million are under the name of related parties.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

26. Capital management (continued)

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

27. Financial instruments

Material accounting policy information

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	2025 AED'000	2024 AED'000
Financial assets		
At amortised cost	253,225	292,834
At fair value	100,859	77,957
	<u>354,084</u>	<u>370,791</u>
Financial liabilities		
At amortised cost	<u>54,231</u>	<u>53,109</u>

28. Risk management

Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency, and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under takaful contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from takaful contracts by reference to the type of benefits payable to contract holders.

The General Manager actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful contracts.

The General Manager regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with takaful liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Takaful risk

The principal risk the Company faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Takaful risk (continued)

i) Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine and fire risks. These are regarded as short-term takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Motor

Motor takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property

Property takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property takaful contracts the main risks are fire and business interruption. The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Liability

For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third-party liability and professional indemnity are underwritten.

Marine

Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Fire

Fire takaful is designed to compensate contract holders for damage and liability arising through loss or damage to the insured assets.

The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

ii) Sources of uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR).

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Takaful risk (continued)

ii) Sources of uncertainty in the estimation of future claim payments (continued)

The estimation of IBNR is generally subject to a greater degree of uncertainty compared to the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the takaful company until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of takaful claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Takaful contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before retakaful) are analysed by type of risk where the insured operates for current and prior year contribution earned.

The Company believes that the claim liabilities under takaful contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the financial statements. The takaful claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 1% change in the loss ratio, net of retakaful, would impact net underwriting income/(loss) as follows:

	2025	2024
	AED'000	AED'000
Impact of change in loss ratio by +/- 1%		
Motor	1,320	1,495
Non Motor	507	731
	1,827	2,226

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Takaful risk (continued)

iii) Process used to decide on assumptions

The risks associated with these takaful contracts are complex and subject to several variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual takaful contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

iv) Concentration of risks

The takaful risk arising from takaful contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to prior year. The table below sets out the concentration of contract liabilities by type of contract:

	Takaful contract liabilities	Retakaful contract liabilities	Less: Retakaful contract assets	Net Takaful and Retakaful contract Liabilities
	AED'000	AED'000	AED'000	AED'000
2025				
Motor	93,193	1,255	(4,701)	89,747
Non Motor	221,205	4,889	(134,968)	91,126
Total	314,398	6,144	(139,669)	180,873
2024				
Motor	112,270	-	(22,204)	90,066
Non Motor	313,948	3,307	(185,906)	131,349
Total	426,218	3,307	(208,110)	221,415

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Takaful risk (continued)

v) Claims development process

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

Gross claims development

Accident Year	Before	2023	2024	2025	Total
	2023				
	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year					
2024	771,850	190,886	435,002	-	1,397,738
2025	772,391	192,900	382,806	171,130	1,519,227
Gross estimates of ultimate claims					1,519,227
Gross estimates of the undiscounted claims and other attributable expenses payable					14,766
Gross estimates of the undiscounted amount of ultimate claims* and payables					1,533,993
Cumulative payments to date					(1,312,233)
Gross undiscounted liabilities for incurred claims					221,760
Effect of discounting					(6,276)
Effect of risk adjustment for non-financial risk					12,050
Total gross liabilities for incurred claims					227,534
Net claims development process					
At the end of each reporting year					
2024	464,340	159,255	135,587	-	759,182
2025	466,109	158,309	139,292	105,704	869,414
Net estimates of ultimate claims*					869,414
Net estimates of the undiscounted claims and other attributable expenses payable					(124,099)
Net estimates of the undiscounted amount of ultimate claims* and payables					745,315
Cumulative payments to date					(792,787)
Net undiscounted liabilities for incurred claims.					(47,472)
Effect of discounting					(336)
Effect of risk adjustment for non-financial risk					3,364
Total net assets for incurred claims					(44,444)

*includes unallocated loss adjustment expense (ULAE) reserve

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Takaful risk (continued)

vi) Retakaful risk

As general industry practice and to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is affected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful and ensure diversification of retakaful providers.

vii) Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on gross and net liabilities, net profit, and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Takaful contract liabilities AED '000	Retakaful contract assets/ (liabilities) AED '000	Net Liabilities AED '000	Gross impact on equity and profit and loss AED '000	Net impact on equity and profit and loss AED '000
2025					
Base	(314,398)	133,525	(180,873)	-	-
Discount rate					
+1%	(312,783)	132,025	(180,758)	1,615	115
-1%	(316,049)	135,055	(180,994)	(1,651)	(121)
Risk adjustment					
+2.5%	(319,043)	136,740	(182,303)	(4,645)	(1,430)
-2.5%	(309,753)	130,310	(179,443)	4,645	1,430
2024					
Base	(426,199)	204,784	(221,415)	-	-
Discount rate					
+1%	(425,089)	203,430	(221,659)	1,110	(245)
-1%	(427,327)	206,161	(221,166)	(1,128)	248
Risk adjustment					
+2.5%	(321,083)	209,989	(111,094)	105,116	110,320
-2.5%	(420,216)	199,581	(220,635)	5,983	778

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Financial risk

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, profit risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company does not enter in any derivative transactions.

i) Credit risk

Key areas where the Company is exposed to credit risk are:

- Retakaful contract assets;
- Amounts due from retakaful in respect of claims already paid;
- Amounts due from takaful contract holders; and
- Amounts due from takaful intermediaries.
- Investments in debt instruments;
- Cash and cash equivalents excluding cash in hand; and
- Fixed deposits.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company follows IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of takaful and other receivables. The Company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision by creating provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary policyholder. If a retakaful fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakaful company is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual participants and groups of participants are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual participants, or homogenous groups of participants, a financial analysis equivalent to that conducted for retakaful is carried out by the Company.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Financial risk (continued)

i) Credit risk (continued)

The table below presents an analysis of cash and bank balances and fixed deposits by rating agency designation at the end of the reporting period based on S&P's rating or its equivalent for the main banking relationships:

	2025 AED'000	2024 AED'000
AA	14,190	8,149
A	153,838	156,517
BBB	679	922
BB and others	12,565	593
Total	181,272	166,181

The table below presents an analysis of financial assets apart from cash and equivalents by rating agency designation at the end of the reporting period based on S&P's rating or its equivalent:

	2025 AED'000	2024 AED'000
AAA	-	843
AA	12,813	13,902
A	38,620	36,899
BBB	21,447	18,683
BB and others	99,932	134,283
Total	172,812	204,610

ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained in the form of post-dated cheques and guarantees.

Financial instruments – investments

Investments in financial assets represent investments in quoted and unquoted equity and debt instruments of companies incorporated in the United Arab Emirates.

Cash and cash equivalents

Cash and cash equivalents of the Company are with Banks and other financial institutions registered and operate in the United Arab Emirates.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with its financial liabilities when they fall due.

Liquidity requirements are monitored monthly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Financial risk (continued)

iii) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements is given below:

	Less than one year AED'000	More than one year AED'000	Total AED'000
2025			
Assets			
Investment securities	51,309	51,311	102,620
Restricted deposits	6,000	-	6,000
Wakala deposits	137,728	-	137,728
Retakaful contract assets	139,669	-	139,669
Other assets (excluding prepayments)	70,193	-	70,193
Cash and cash equivalents	37,543	-	37,543
	442,442	51,311	493,753
Liabilities			
Other liabilities	52,677	3,810	56,487
Takaful contract liabilities	314,398	-	314,398
Retakaful contract liabilities	6,144	-	6,144
	373,219	3,810	377,029
2024			
Assets			
Investment securities	58,348	30,177	88,525
Restricted deposits	6,000	-	6,000
Wakala deposits	100,703	-	100,703
Retakaful contract assets	208,091	-	208,091
Takaful contract assets	19	-	19
Other assets (excluding prepayments)	120,830	-	120,830
Cash and cash equivalents	59,478	-	59,478
	553,469	30,177	583,646
Liabilities			
Other liabilities	49,207	5,658	54,865
Takaful contract liabilities	426,218	-	426,218
Retakaful contract liabilities	3,307	-	3,307
	478,732	5,658	484,390

**Under the Premium Allocation Approach (PAA), the Liability for Remaining Coverage (LRC) is measured without discounting as the coverage period is one year or less. The Liability for Incurred Claims (LIC) is discounted where the time value of money is material.*

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Financial risk (continued)

iv) Market risk

Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value of risk that may be accepted by the Company is monitored on a regular basis by management.

v) Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Floating rate instruments expose the Company to cash flow risk.

The Company is exposed to profit rate risk on certain of its investments and bank balances and cash. The Company limits its risk by monitoring changes in such rates.

The sensitivity analysis below has been determined based on the exposure to profit rates for profit-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year:

	Increase in basis points	Effect on profit for the year AED
2025		
Profit bearing assets	100	2,463
2024		
Profit bearing assets	100	1,952

Any movement in profit rates in the opposite direction will produce exactly opposite results.

The impact of changes in profit rate risk is not expected to be significant for the Company, as all financial assets and financial liabilities bears fixed profit rates.

v) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has no significant concentration of price risk. The price risk is managed by outsourcing the trading of most of the securities held by the Company to professional brokers. However, the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 20% increase or decrease as at 31 December:

	Change in profit or loss		Change in other comprehensive income	
	+20% AED'000	-20% AED'000	+20% AED'000	-20% AED'000
2025				
Equity securities	9,726	(9,726)	-	-
Debt Securities	10,446	(10,446)	-	-
2024				
Equity securities	7,925	(7,925)	-	-
Debt Securities	7,667	(7,667)	-	-

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

28. Risk management (continued)

Financial risk (continued)

vi) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

29. Contingencies and commitments

Commitments

The Company has capital commitments amounting to AED 0.1 million at year end (2024: AED Nil).

Legal claims

The Company is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Company's income or financial position except for the provisions already booked.

30. Fair value measurements

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 policyholders at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2025.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured after initial recognition at fair value. Company categorises its financial investments into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

30. Fair value measurements (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	2025	2024				
	AED'000	AED'000				
Investments at FVTPL						
Quoted equity securities	48,631	39,624	Level 1	Quoted bid prices in an active market	N/A	N/A
Quoted debt securities	52,228	38,333	Level 1	Quoted bid prices in an active market	N/A	N/A

The management considers that the carrying amounts of investments at amortised cost in the financial statements approximate their fair values. There were no changes during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

31. Corporate tax

UAE corporate tax regime

On 9 December 2022, the United Arab Emirates issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, introducing a federal corporate tax regime in the UAE. The Corporate Tax Law applies to financial years beginning on or after 1 June 2023. As the Company's financial year ends on 31 December, the Company's current tax period commenced on 1 January 2025 and ends on 31 December 2025, with the corresponding tax return required to be filed by 30 September 2026.

Under the Corporate Tax Law, taxable income exceeding AED 375,000 is subject to corporate tax at a rate of 9%. The income tax charge recognised for the year ended 31 December 2025 amounts to AED 2.4 million.

Income tax expenses recognised in statement of comprehensive income are as follows:

Watania Takaful General (P.J.S.C)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

31. Corporate tax (continued)

	2025 AED'000	2024 AED'000
Statement of profit or loss:		
Current tax:		
Charge in respect of current year	330	-
Deferred tax:		
Charge in respect of current year	685	834
Net income tax expense recognised in the statement of profit or loss	<u>1,015</u>	<u>834</u>
Other comprehensive income		
Current tax	-	-
Deferred tax	-	-
Net income tax expense recognised in other comprehensive income	<u>-</u>	<u>-</u>
Net income tax expense recognised in the statement of comprehensive income	<u>1,015</u>	<u>834</u>

Following is the analysis of current and deferred tax liabilities presented in the statement of financial position:

Movement in current tax liabilities:

	2025 AED'000	2024 AED'000
Balance at 1 January	-	-
Current tax charge for the year	330	-
Tax paid during the year	-	-
Balance at 31 December	<u>330</u>	<u>-</u>

Movement in net deferred tax liabilities:

	2025 AED'000	2024 AED'000
Balance at the beginning of the year	834	-
Changes in fair value of investments	405	468
Changes in fair value real estate investments	280	366
Balance at the end of the year	<u>1,519</u>	<u>834</u>

The Effective Tax Rate (ETR) for the period ending 31 December 2025 is 6.54%.

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Notes to the financial statements
For the year ended 31 December 2025 (continued)

31. Corporate tax (continued)

Reconciliation of effective tax rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the UAE statutory tax rate as follows:

	2025 AED'000	2024 AED'000
Profit /(loss) before tax	15,519	(13,819)
Tax calculated at statutory rate of 9%	1,392	(1,244)
Effect of:		
Tax impact of exempt income	(198)	(132)
Tax impact of disallowed expenses	28	67
Standard deduction	(5)	-
Others	(207)	2,143
Income Tax Expenses	<u>1,015</u>	<u>834</u>

Pillar Two – Global Minimum Tax

Recently, in order to align with OECD's Global Minimum Tax effort (Pillar Two), the UAE Ministry of Finance (MoF) has introduced a Domestic Minimum Top-Up Tax of 15% for Multinational Enterprises (MNEs) with effect from financial years starting on or after 1st January 2025.

The management has assessed and concluded that the Company does not fall within the scope of UAE DMTT rules for the year ended 31 December 2025. Management will continue to assess the potential applicability of Pillar Two rules on an ongoing basis in accordance with the relevant legislation.

32. Subsequent Events

Subsequent to the reporting date, geopolitical tensions in the Middle East have escalated. The Company's operations are primarily based in the UAE, which continues to demonstrate resilience. While the long-term economic impact remains uncertain, short-term impacts are not expected to be material, with any temporary interruption in business volumes anticipated to normalise in the near term.

The company does not provide war cover and therefore has no direct exposure to war-related claims, while normal claims incidence is expected to remain stable or lower. In addition, investment-related risks have been partially mitigated through portfolio de-risking measures.

Based on this assessment, no material impact on the Company's financial position has been identified as at the date of approval of these financial statements. Management continues to monitor developments closely.

33. Approval of the financial statements

The financial statements of the Company for the year ended 31 December 2025 has been authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2026.