

Watania Takaful Family (PJSC)

Financial statements

For the year ended 31 December 2025

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Directors' report

The directors submit their report on the audited financial statements for the year ended 31 December 2025.

Incorporation and registered offices

Watania Takaful Family (PJSC) (the "Company") was incorporated as a public joint stock company. The Company carries out general takaful, retakaful and investments in accordance with the teachings of Islamic Shari'a and within the provisions of UAE Federal Decree Law No. (6) of 2025, which repealed UAE Federal Law No. 48 of 2023, relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company.

Principal activities

The principal activities of the Company are to carry out family takaful and retakaful activities in accordance with the Shari'ah principles. Family takaful includes takaful of persons (individual and group) and group medical business. These activities are carried out by the Company on behalf of the policyholders (also known as the policyholders) based on the Wakala model.

Financial position and results

The financial position and results of the Company for the year ended 31 December 2025 are set out in the accompanying financial statements.

Directors

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

Mr. Matar Hamdan Sultan Al Ameri	Chairman
Mr. Mohammed Qusai Mohammed AlGhussein	Member
Dr. Ghuwaya Mohammed Khuwaidem Al Neyadi	Member
Mrs. Rehab Mohamed Hussain Lootah	Member
Mr. Ammar Abdullah Hamad Al-Ali	Member
Mr. Abdullah Malek Osseiran	Member
Mr. Mahomed Akoob	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:



Mr. Matar Hamdan Sultan Al Ameri
Chairman



Mr. Suliman Mohamad Manla Osman
General Manager

INDEPENDENT AUDITOR'S REPORT

**To the shareholder of Watania Takaful Family (PJSC)
Dubai
United Arab Emirates**

Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of Watania Takaful Family (PJSC) (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the 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 Family (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></p> <p>As at 31 December 2025, takaful contract liabilities amounted to AED 574 million. AED 338 million of this amount is measured using the General Measurement Model (GMM) and AED 236 is measured using the Premium Allocation Approach (PAA).</p> <p>A key element of the valuation of takaful contract liabilities is the Present value of future cash flows (“PVFCFs”). The PVFCFs, a key element of which are the expected credit losses (ECL) on contribution receivables, are included in the liability for remaining coverage (“LRC”) and the liability for incurred claims (“LIC”) for contracts measured under the General Measurement Modal (“GMM”) and the LIC for contracts measured under the PAA. As at 31 December 2025 this amounted to a net liability of AED 474 million for takaful contracts issued.</p> <p>The determination of the PVFCFs 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 LRC and LIC for contracts measured under the GMM and the LIC for contracts measured under the PAA, as a key audit matter.</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 valuation of the PVFCFs; • Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, re-takaful 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 Family (P.J.S.C) (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
<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>	<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 the key actuarial assumptions such as loss ratios, claims development factors, mortality rates, lapse rates 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. • Assessing 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 Family (PJSC) (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 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 Family (PJSC) (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 Director's 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 9 to the financial statements discloses material related party transactions, and balances, and the terms under which they were conducted;
- vii) Note 23 to the financial statements discloses the social contributions made by the Company 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 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 Family (PJSC) (continued)

Report On Other Legal And Regulatory Requirements (Continued)

Further, as required by 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 9 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 Family (PJSC)

Statement of financial position - Takaful presentation purposes only

As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Assets			
Takaful operations' assets			
Investment properties	5	18,068	17,530
Investments held at amortised cost	6	2,642	10,347
Investments held at fair value through profit or loss ("FVTPL")	6	438,187	388,647
Retakaful contract assets	7	107,687	90,165
Prepayments and other receivables	10	13,178	6,004
Wakala deposits	11	106,006	61,700
Cash and bank balances	11	46,137	23,232
Total takaful operations' assets		731,905	597,625
Shareholders' assets			
Property and equipment	12	656	1,385
Restricted deposit	11	4,000	4,000
Investments held at fair value through profit or loss ("FVTPL")	6	24,649	9,602
Due from policyholders	8	75,152	79,293
Prepayments and other receivables	10	14,182	11,553
Wakala deposits	11	68,603	55,303
Cash and bank balances	11	9,523	21,248
Total shareholders' assets		196,765	182,384
Total assets		928,670	780,009

The accompanying notes 1 to 34 form an integral part of these financial statements.

Watania Takaful Family (PJSC)

Statement of financial position - Takaful presentation purposes only

As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Liabilities, policyholders' fund and shareholders' equity			
Takaful operations' liabilities			
Takaful contract liabilities	7	574,426	469,358
Retakaful contract liabilities	7	73,825	48,526
Due to shareholder	8	75,152	79,293
Accruals and other payables	13	8,502	448
Total takaful operations' liabilities		731,905	597,625
Policyholders' fund			
Deficit in policyholders' fund	14	(338,170)	(357,107)
Less: Provision against Qard Hassan to policyholders' fund	14	338,170	357,107
Total policyholders' fund		-	-
Shareholders' liabilities and equity			
Shareholders' liabilities			
Employees' end of service benefits	15	4,505	5,370
Current tax payable	32	2,090	2,253
Deferred tax liability	32	506	227
Accruals and other payables	13	9,763	34,646
Total shareholders' liabilities		16,864	42,496
Shareholders' equity			
Share capital	16	147,500	147,500
Statutory reserve	17	9,587	5,586
Retakaful reserve	17	6,178	4,826
Retained earnings/(accumulated losses)		16,636	(18,024)
Total shareholders' equity		179,901	139,888
Total shareholders' liabilities and equity		196,765	182,384
Total liabilities, policyholders' fund, and equity		928,670	780,009

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.



Mr. Matar Hamdan Sultan Al Ameri
Chairman



Mr. Suliman Mohamad Manla Osman
General Manager

The accompanying notes 1 to 34 form an integral part of these financial statements.

Watania Takaful Family (PJSC)

Statement of comprehensive income -Takaful presentation purposes only For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Attributable to policyholders			
Takaful revenue	18	592,188	534,939
Takaful service expenses	19	(460,742)	(444,030)
Takaful service result before retakaful contracts held		131,446	90,909
Allocation of retakaful contributions	7	(252,920)	(246,829)
Amounts recoverable from retakaful for incurred claims	7	149,876	176,991
Net expenses from retakaful contracts held		(103,044)	(69,838)
Takaful service result		28,402	21,071
Takaful finance expenses for takaful contracts issued	20	(24,367)	(24,782)
Retakaful finance income for retakaful contracts held	20	7,375	4,032
Takaful financial result		(16,992)	(20,750)
Net takaful income		11,410	321
Net fair value gain on assets held at FVTPL	22	2,369	2,269
Net fair value gain on assets held at FVTPL (unit-linked)		21,590	22,861
Investment and other income	22	7,709	6,758
Total investment income		31,668	31,888
Mudarib fees	21	(3,340)	(3,159)
Wakala fees, net	21	(20,801)	(27,617)
Profit for the year attributable to policyholders		18,937	1,433
Attributable to shareholder			
Net fair value change in financial assets at FVTPL		864	(194)
Investment and other income		5,563	4,223
Total investment and other income	22	6,427	4,029
Mudarib fees	21	3,340	3,159
Wakala fees, net	21	20,801	27,617
General and administrative expenses	23	(7,124)	(8,565)
Income for the year before Qard Hassan		23,444	26,240
Reversal against Qard Hassan to participants		18,937	1,433
Profit before tax for the year attributable to shareholder		42,381	27,673
Income tax expense	32	(2,368)	(2,480)
Profit after tax for the year attributable to shareholder		40,013	25,193
Other comprehensive income		-	-
Total comprehensive profit for the year attributable to shareholder		40,013	25,193

The accompanying notes 1 to 34 form an integral part of these financial statements.

Watania Takaful Family (PJSC)

Statement of financial position – Conventional presentation For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Assets			
Property and equipment	12	656	1,385
Investment property	5	18,068	17,530
Restricted deposits	11	4,000	4,000
Investments held at amortised cost	6	2,642	10,347
Investments held at fair value through profit or loss (“FVTPL”)	6	462,836	398,249
Retakaful contract assets	7	107,687	90,165
Prepayments and other receivables	10	27,360	17,557
Wakala deposits	11	174,609	117,003
Cash and bank balances	11	55,660	44,480
Total assets		853,518	700,716
Liabilities and Equity			
Liabilities			
Deferred tax liabilities	32	506	227
Employees’ end of service benefits	15	4,505	5,370
Takaful contract liabilities	7	574,426	469,358
Retakaful contract liabilities	7	73,825	48,526
Current tax liabilities	32	2,090	2,253
Accruals and other payables	13	18,265	35,094
Total liabilities		673,617	560,828
Equity			
Share capital	16	147,500	147,500
Statutory reserve	17	9,587	5,586
Retakaful reserve	17	6,178	4,826
Retained earnings/ (accumulated losses)		16,636	(18,024)
Total equity		179,901	139,888
Total liabilities and equity		853,518	700,716



Mr. Matar Hamdan Sultan Al Ameri
Chairman



Mr. Suliman Mohamad Manla Osman
General Manager

Watania Takaful Family (PJSC)

Statement of comprehensive income - Conventional presentation For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Takaful revenue	18	592,188	534,939
Takaful service expenses	19	(460,742)	(444,030)
Takaful service result before retakaful contracts held		131,446	90,909
Net expenses from retakaful contracts held	7	(103,044)	(69,838)
Takaful service result		28,402	21,071
Net fair value gain on investments held at FVTPL	22	3,233	2,075
Net fair value gain on assets held at FVTPL (unit-linked)		21,590	22,861
Investment and other income	22	13,272	10,981
Total investment and other income		38,095	35,917
Finance expense for takaful contracts issued	20	(24,367)	(24,782)
Finance income for retakaful contracts held	20	7,375	4,032
Net takaful finance expense		(16,992)	(20,750)
Net takaful and investments result		49,505	36,238
General and administrative expenses	23	(7,124)	(8,565)
Profit before tax		42,381	27,673
Income tax expense		(2,368)	(2,480)
Profit after tax		40,013	25,193

The accompanying notes 1 to 34 form an integral part of these financial statements.

Watania Takaful Family (PJSC)
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 at 1 January 2024	132,500	3,067	3,493	(39,365)	99,695
Profit for the year	-	-	-	25,193	25,193
Total comprehensive income for the year	-	-	-	25,193	25,193
Capital proceeds during the year (note 16)	15,000	-	-	-	15,000
Transfer to retakaful reserve (Note 17)	-	-	1,333	(1,333)	-
Transfer to statutory reserve (Note 17)	-	2,519	-	(2,519)	-
Balance at 31 December 2024	147,500	5,586	4,826	(18,024)	139,888
Balance at 1 January 2025	147,500	5,586	4,826	(18,024)	139,888
Profit for the year	-	-	-	40,013	40,013
Total comprehensive income for the year	-	-	-	40,013	40,013
Transfer to retakaful reserve (note 17)	-	-	1,352	(1,352)	-
Transfer to statutory reserve (note 17)	-	4,001	-	(4,001)	-
Balance at 31 December 2025	147,500	9,587	6,178	16,636	179,901

The accompanying notes 1 to 34 form an integral part of these financial statements.

Watania Takaful Family (PJSC)
Statement of cash flows
For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Cash flows from operating activities			
Profit before tax for the year		42,381	27,673
<i>Adjustments for:</i>			
Depreciation on property and equipment	12	912	1,308
Write-off of property and equipment		229	-
Unrealised gain on investments at FVTPL		(2,554)	(1,310)
Realised gain on investments at FVTPL	6	(679)	(765)
Profit from wakala deposits		(7,273)	(6,731)
Gross rental income	5	(1,084)	(1,067)
Profit from sukuks		(2,003)	(1,410)
Fair value gain on investment properties	5	(538)	(1,190)
(Reversal of)/ provision for employees' end of service benefits	15	(103)	1,617
Dividend income	22	(1,373)	(451)
Allowance for expected credit losses	6	-	1
Amortisation of discount	6	-	62
Operating cash flows before changes in operating assets and liabilities		27,915	17,737
<i>Changes in operating assets and liabilities:</i>			
Change in prepayments and other receivables		(6,820)	(7,901)
Change in accruals and other payables		(16,828)	(2,259)
Change in retakaful contract assets		(17,522)	(8,175)
Change in takaful and retakaful contract liabilities – net		105,980	(6,609)
Cash generated from / (used in) operating activities		92,725	(7,207)
Employees' end of service benefits paid	15	(762)	(1,655)
Income tax paid	32	(2,253)	-
Net cash generated from/ (used in) operating activities		89,710	(8,862)
Cash flows from investing activities			
Purchase of property and equipment	12	(288)	(412)
Net movement on wakala deposits		(76,613)	37,831
Purchase of investments at FVTPL		(93,629)	(42,045)
Net proceeds from sale of investments at FVTPL		56,662	20,168
Net proceeds from sale of investments at amortised cost		7,705	3,672
Dividend income received		1,378	451
Rental income received		933	1,026
Profit received from sukuks		1,801	1,418
Profit received from wakala deposits		4,514	6,936
Net cash (used in)/ generated from investing activities		(97,537)	29,045
Cash flows from financing activity			
Proceeds from capital injection	16	-	15,000
Net cash generated from financing activity		-	15,000
Net change in cash and cash equivalents		(7,827)	35,183
Cash and cash equivalents at the beginning of the year		66,787	31,604
Cash and cash equivalents at the end of the year	11	58,960	66,787
Non-cash transactions with related parties			
Transfers of employees' end of service benefit	9	-	434
Transfer from/ (to) of property and equipment	9	124	(17)
		124	417

The accompanying notes 1 to 34 form an integral part of these financial statements

Watania Takaful Family (PJSC)

Notes to the financial statements

For the year ended 31 December 2025

1 Legal status and activities

Watania Takaful Family (PJSC) (“the Company” or “WTF”) was incorporated as a Public Joint Stock Company and registered with the Securities and Commodities Authority (“SCA”) on 26 March 2008 (Registration No. 1012). The Company has its registered office at P.O. Box 8822, Dubai, United Arab Emirates (“UAE”). Watania International Holding owns 100% shares of Watania Takaful Family (PJSC).

The principal activities of the Company are to carry out family takaful and retakaful activities in accordance with the Shari’ah principles. Family takaful includes takaful of persons (individual and group) and group medical business. These activities are carried out by the Company on behalf of the policyholders (also known as the policyholders) based on the Wakala model.

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, and UAE Federal Decree Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance.

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 Family (PJSC)
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

Effective for
annual periods
beginning on or after

New and revised IFRSs

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 Family (PJSC)
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)

**Effective for
annual periods
beginning on or after**

New and revised IFRSs

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 IAS 21) 1 January 2027

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

Watania Takaful Family (PJSC)
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 Family (PJSC)

Notes to the financial statements

For the year ended 31 December 2025 (continued)

3 Material accounting policy information

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, the and 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 for 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 carried at fair value, takaful and retakaful contract assets and liabilities which are 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 Standards 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.

IFRS 17 Insurance 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 assesses whether takaful and retakaful contracts contain components that are required to be separated from the host takaful contract, including investment components, embedded derivatives or distinct service components. Investment components identified within contracts are excluded from takaful revenue and takaful service expenses. Based on this assessment, the Company has not identified any embedded derivatives or distinct service components requiring separation.

The Company applies PAA to simplify the measurement of contracts in the non-life and group life takaful segment. When measuring liabilities for remaining coverage, PAA is similar to the Company’s previous accounting treatment. 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. For individual life takaful contracts, the Company has applied Variable Fee Approach (VFA) and General Measurement Model (GMM), as applicable.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Recognition

Recognition requirements are slightly different for issued takaful contracts and retakaful contracts held. 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.

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.

Level of Aggregation

The Standard has set out the following three 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. The Company has used this simplification while calculating the transition impact of its individual life contracts using fair value approach.

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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Cohorts (continued)

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:

- 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”)

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC.

Under PAA, it is not required to consider each component of the contribution separately, instead, a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage (“LRC”)

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All the Company’s short-term business is eligible for this simplification and the Company has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment, this would increase the liabilities whereas discounting will generally decrease the liabilities. Contracts with coverage of less than one year were automatically recognised under PAA. For contracts where the coverage period exceeds one year, the Company performed a PAA eligibility test.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

Measurement Models (continued)

Premium Allocation Approach (“PAA”) (continued)

Initial measurement

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

- The contributions, if any, received at initial recognition
- Minus any takaful acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of takaful contracts are recognised.

The Company measures its retakaful assets for a group of retakaful contracts that it holds on the same basis as takaful contracts that it issues. However, they are adapted to reflect the features of retakaful contracts held that differ from takaful contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage, under PAA, at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus contributions received in the period
- Minus takaful acquisition cash flows, with the exception of property takaful product line for which the entity chooses to expense takaful acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as takaful revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims ”

The subsequent measurement of retakaful contracts held follows the same principles as those for takaful contracts issued and has been adapted to reflect the specific features of retakaful held.

Contracts not measured under PAA

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach (“PAA”) and Variable Fees Approach (“VFA”) are not applied. GMM is based on the premise that contributions (or considerations) for takaful contracts comprises of certain components (such as claims, expenses, and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage (“LRC”)

- Estimates of future cashflows;
- Risk adjustment;
- Discounting of estimates of future cashflows; and
- Contractual Service Margin (“CSM”).

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows;
- Risk adjustment; and
- Discounting of estimates of future cashflows.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Contracts not measured under PAA (continued)

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of takaful contract issued and associated liabilities, but same principles are applicable to retakaful contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned, however, at initial recognition only LRC will be applicable.

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows (“FCF”). In terms of revenues and expense GMM and VFA are quite similar, however, a significant difference exists between GMM/VFA and PAA.

The revenues under GMM and VFA show each component of the contribution separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

The Company’s unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM/VFA and the current methodologies for the long-term business. The key differences are discussed as per the below:

- Under IFRS 17 assets or liabilities will be determined using gross contribution calculations as opposed to risk contribution calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-contribution based calculations are higher or lower than those required in gross-contribution based calculations.
- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for takaful contracts issued and increases the asset for the retakaful contracts held.
- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long-term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, ‘coverage units’, to quantify the services provided in any period. Given that single contribution contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single contribution contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.
- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the contribution (i.e., expected claims and expenses and the portion of the profits relating to the period).

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Contracts not measured under PAA (continued)

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.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions. When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Contributions and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling takaful contracts
- Transaction-based taxes

The measurement of retakaful contracts held follows the same principles as those for takaful contracts issued, with the exception of the measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.

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. Risk adjustment does not consider financial risk. For retakaful contracts, the risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer. 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. 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.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure takaful contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows the company has adopted the Bottom-Up approach.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Contracts not measured under PAA (continued)

Contractual Service Margin (“CSM”)

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides takaful contract services in the future.

Initial measurement

The Company measures the contractual service margin on initial recognition of a group of takaful contracts at an amount that results in no income or expenses arising from:

- i. The initial recognition of an amount for the fulfilment cashflows;
- ii. Any cash flows arising from the contracts in the group at that date;

The derecognition at the date of initial recognition of any asset for takaful acquisition cash flows or any other asset or liability previously recognised for cash flows relating to the group of contracts unless the group of contracts is onerous at initial recognition.

For retakaful contracts, an entity recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to statement of comprehensive income as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.

Subsequent measurement

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

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

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

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

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows and takaful premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in statement of comprehensive income while differences related to contributions received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable. The same applies to a policyholder loan that becomes repayable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Contracts not measured under PAA (continued)

Contractual Service Margin (“CSM”) (continued)

Subsequent measurement (continued)

The measurement of retakaful contracts held follows the same principles as those for takaful contracts issued, with the exception of changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in statement of comprehensive income. Alternatively, changes in the fulfilment cash flows adjust the CSM.

A portion of CSM is released to profit and loss as revenue in every period using coverage units, which are determined based on the quantity of benefits provided under the contracts and the expected coverage period over which insurance services are provided..

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.

Where the Company recognises a loss on initial recognition of an onerous group of underlying takaful contracts or when further onerous underlying takaful contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful contracts held depicting the recovery of losses. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

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

The Company derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. 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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Key Accounting Policy Choices (continued)

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	<p>For short term contracts, the Company has decided profitability based on the following criteria:</p> <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”. <p>For individual life long-term contracts, the following approach will be used to determine profitability:</p> <ul style="list-style-type: none"> • If a LC is produced, the policy will be categorised as onerous. • If a CSM is produced, the following should be tested: <ul style="list-style-type: none"> i. If CSM/PV(Contributions) is greater than or equal to the 5%, tag the policy as non-onerous. ii. If CSM/PV(Contributions) is less than 5%, tag the policy 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.
PAA – Discounting LIC	Since there are a significant number of claims that are expected to be paid in more than one year, the Company has decided to discount LIC for all its group of contracts.
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).

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.

Presentation and disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, contributions will not be presented as revenues instead each component of the contribution (such as expected claims and expenses) will be shown separately. 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 Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Presentation and disclosures (continued)

Takaful revenue

For takaful contracts measured under the premium allocation approach, the takaful revenue for each period is the amount of expected contribution receipts for providing coverage in the period. The Company allocates the expected contribution receipts to each period on the passage of time for all groups of contracts, except for longer term policies. Such contracts were recognized to have a significant financing component and in line with IFRS 17 standard interest accretion was applied to these contracts but the impact of earned interest was taken as part of the takaful finance expense. For such contracts the Company has included changes in discount rates and other financial changes in profit or loss.

For takaful contracts measured under the general measurement model and the variable fee approach, takaful revenue includes claims and other directly attributable expenses as expected at the beginning of the reporting period, changes in the risk adjustment for non-financial risk, amounts of the CSM recognized for the services provided in the period, experience adjustments arising from contributions received in the period other than those that relate to future service and other amounts, including any other pre-recognition cash flows assets derecognized at the date of initial recognition.

Takaful revenue is adjusted to allow for policyholders' default on future contributions. The default probability is derived from the expected loss model prescribed under IFRS 9.

Takaful service expenses

Takaful service expenses include the following:

1. incurred claims for the period.
2. other incurred directly attributable expenses.
3. Takaful acquisition cash flows amortization.
4. changes that relate to past service – changes in the FCF relating to the LIC.
5. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortization of takaful acquisition cash flows is based on the passage of time for all groups of contracts regardless of the total coverage period of the contracts.

Net expenses from retakaful contracts

The Company recognizes retakaful expenses as it receives coverage or other services under groups of retakaful contracts. The Company presents financial performance of groups of retakaful contracts held separately between the amounts recoverable from reinsurers and allocation of the contributions for retakaful contracts held, comprising the following amounts:

1. retakaful expenses;
2. incurred claims recovery;
3. other incurred directly attributable retakaful service expenses;
4. effect of changes in risk of retakaful non-performance;
5. for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying takaful contracts); and
6. changes relating to past service (i.e. adjustments to incurred claims).

Income and expenses from retakaful contracts are presented separately from income and expenses from takaful contracts. Income and expenses from retakaful contracts, other than takaful finance income or expenses, are also presented separately in the takaful service result.

For contracts measured under the PAA, the Company recognizes retakaful expenses based on the passage of time over the coverage period of a group of contracts except for longer term policies. For such contracts, the recognition of retakaful expense followed the same principles as presented for the underlying takaful revenue.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Presentation and disclosures (continued)

For contracts not measured under the PAA, retakaful expenses comprise the following amounts relating to changes in the remaining coverage:

1. Takaful claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;
2. changes in the risk adjustment for non-financial risk, excluding: - changes included in finance income (expenses) from retakaful contracts held; and – changes that relate to future coverage (which adjust the CSM);
3. amounts of the CSM recognized in statement of income for the services received in the period; and
4. ceded contribution experience adjustments relating to past and current service
5. interest accreted on the LIC; and

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding contributions and are accounted for as part of retakaful expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Takaful finance income and expenses

Takaful finance income and expenses comprise changes in the carrying amounts of groups of Takaful and retakaful contracts arising from the effects of the time value of money, financial risk, and changes therein.

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

- the effect of changes in interest rates and other financial assumptions.

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

1. interest accreted on the FCF and the CSM;
2. the effect of changes in interest rates and other financial assumptions; and
3. foreign exchange differences arising from contracts denominated in a foreign currency.

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

1. changes in the fair value of underlying items;
2. interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
3. the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Financial instruments (continued)

Recognition, initial measurement and derecognition (continued)

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 income statement but is reclassified to retained earnings.

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.

Financial assets for participants

Financial assets for participants are designated at fair value through profit or loss at inception as these are held in external funds to match takaful and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

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 shareholder as a Qard Hasan (profit free loan).

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.

Profit from Wakala deposits

Profit from Wakala deposits is recognised in the statement of comprehensive income on an accrual basis using the effective profit rate method and include all contractual fees that are deemed an integral part of the effective profit rate.

Wakala fee

The Company manages the family takaful operations on behalf of the participants for a Wakala fee, which is calculated as a proportion of gross contributions. The portions of the fee that relates to periods of risk that extend beyond the financial year are reported as deferred Wakala fee. The investments of the participants are also managed by the Company as a Mudarib under a profit sharing arrangement.

Cash and cash equivalents

For the purpose cash flows, cash and cash equivalents includes cash on hand, balances with banks and unrestricted deposits with a maturity of three months or less from the date of placement.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

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.

Bonus reserve

The Reserve for the up-front Bonus for applicable savings plans is based on two different vesting periods. A four-year vesting period applies on policies issued before October 2016. A maturity vesting period applies on policies issued after October 2016.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Office equipment	5 years
Computer equipment and software	3 – 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the statement of comprehensive income.

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

Liability adequacy test

At each reporting date, the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claim handling and administration expenses are used. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of comprehensive income and an unexpired risk provision is created.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

Offsetting financial instruments

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

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.

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;

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

Taxes (continued)

Deferred tax (continued)

- 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.

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:

Coverage units and CSM amortisation

The determination and application of coverage units used for the amortisation of the Contractual Service Margin (CSM) involves significant judgement. Management determines coverage units based on the quantity of benefits provided under the contracts and the expected coverage period over which takaful services are provided. The CSM is recognised in profit or loss in line with the pattern of takaful services provided.

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, Bornheutter-Ferguson and per member per month cost 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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

4 Critical accounting estimates and judgments in applying accounting policies (continued)

Liability for incurred claims (continued)

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 profit rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The bottom-up approach is used to derive the discount rate for all contracts within the scope of IFRS 17, where applicable. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in the liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cashflows (known as an ‘illiquidity premium’). Risk free rates are determined by reference to the USD risk free yield curves. The illiquidity premium is determined based on actuarial judgment and 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

For contracts measured under the PAA, 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.

For individual family business, the Company has used a provision of adverse deviation approach.

Fair value judgement on investment properties

Fair value of investment properties is estimated by two independent professional valuers for disclosure purposes only, considering the rental yield (income approach). This estimate was made 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 doubtful debts 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 simplified approach under the IFRS 9 methodology.

Classification of investments

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

Equity instruments are classified as FVTOCI securities when they are considered by the 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 is appropriately classified.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

4 Critical accounting estimates and judgments in applying accounting policies (continued)

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

5 Investment properties

	2025 AED'000	2024 AED'000
Balance at 1 January	17,530	16,340
Increase in fair value during the year (Note 22)	538	1,190
Balance at 31 December	<u>18,068</u>	<u>17,530</u>

All investment properties held are designated to policyholders.

Investment properties comprise of units in buildings which are in United Arab Emirates. The fair value of the Company's investment properties as at 31 December 2025 and 2024 has been arrived at on the basis of valuations carried on the respective dates by 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.

	2025 AED'000	2024 AED'000
Rental income	1,084	1,067
Direct operating expenses	(240)	(596)
Rental income from investment property - net	<u>844</u>	<u>471</u>

6 Investment in securities

Investments held at amortised cost

	2025 AED'000	2024 AED'000
Quoted debt securities inside U.A.E.	<u>2,642</u>	<u>10,347</u>

All investments held at amortised cost are designated to policyholders.

The fair value of the investments at amortised cost amounted to AED 2.6 million as at 31 December 2025 (31 December 2024: AED 10.2 million).

Investments at fair value through profit or loss ("FVTPL")

	2025 AED'000	2024 AED'000
Investment in equity securities	52,351	13,588
Investment in debt securities	47,086	45,649
Investment in mutual funds – unit linked	<u>363,399</u>	<u>339,012</u>
	<u>462,836</u>	<u>398,249</u>
Quoted securities inside U.A.E.	99,437	59,237
Unquoted securities inside U.A.E.	16,243	15,322
Unquoted securities outside U.A.E.	<u>347,156</u>	<u>323,690</u>
	<u>462,836</u>	<u>398,249</u>
Attributable to:		
Policyholders	438,187	388,647
Shareholder	<u>24,649</u>	<u>9,602</u>
	<u>462,836</u>	<u>398,249</u>

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

6 Investment in securities (continued)

The movement in investments in securities are as follows:

	Investments at FVTPL AED'000	Investments at amortised cost AED'000	Total AED'000
2025			
At 1 January	398,249	10,347	408,596
Addition during the year	154,865	-	154,865
Disposal during the year	(115,101)	-	(115,101)
Maturities during the year	-	(7,705)	(7,705)
Unrealised gain recorded in statement of Profit or loss	24,144	-	24,144
Realised gain recorded in statement of Profit or loss	679	-	679
At 31 December	462,836	2,642	465,478
2024			
At 1 January	384,675	14,079	398,754
Addition during the year	84,376	-	84,376
Disposal during the year	(95,735)	-	(95,735)
Maturities during the year	-	(3,672)	(3,672)
Amortisation of discount	-	(62)	(62)
(Allowance)/reversal for expected credit losses	(3)	2	(1)
Unrealised gain recorded in statement of income	24,171	-	24,171
Realised gain recorded in statement of income	765	-	765
At 31 December	398,249	10,347	408,596

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 AED'000	Assets AED'000	Liabilities AED'000	Net AED'000
Takaful contracts issued						
Medical takaful	-	(159,495)	(159,495)	-	(105,071)	(105,071)
Group family	-	(76,753)	(76,753)	-	(48,576)	(48,576)
Individual family	-	(338,178)	(338,178)	-	(315,711)	(315,711)
Total takaful contracts issued	-	(574,426)	(574,426)	-	(469,358)	(469,358)
Retakaful contracts held						
Medical takaful	98,931	(63)	98,868	85,087	(1,001)	84,086
Group family	-	(73,762)	(73,762)	-	(47,525)	(47,525)
Individual family	8,756	-	8,756	5,078	-	5,078
Total retakaful contracts held	107,687	(73,825)	33,862	90,165	(48,526)	41,639

The roll-forward of net asset or liability for takaful contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the tables starting from the next page.

Watania Takaful Family (PJSC)
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.

Contracts measured under the PAA

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	12,292	-	136,587	4,768	153,647
Takaful revenue	(576,615)	-	-	-	(576,615)
Takaful service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	350,473	6,771	357,244
Net takaful acquisition costs	73,419	-	-	-	73,419
Changes to liabilities for incurred claims	-	-	24,816	(7,525)	17,291
Takaful service result	(503,196)	-	375,289	(754)	(128,661)
Takaful finance expenses	-	-	2,298	-	2,298
Total changes in statement of comprehensive income	(503,196)	-	377,587	(754)	(126,363)
<i>Cash flows</i>					
Contribution received	654,532	-	-	-	654,532
Claims and other expenses	-	-	(353,612)	-	(353,612)
Directly attributable expenses	-	-	(8,265)	-	(8,265)
Takaful acquisition cash flows	(83,691)	-	-	-	(83,691)
Total cash flows	570,841	-	(361,877)	-	208,964
Net takaful contract liabilities as at 31 December	79,937	-	152,297	4,014	236,248

Watania Takaful Family (PJSC)
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).

Contracts measured under the PAA

	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	
2024					
Takaful contract liabilities as at 1 January	60,878	-	130,852	4,895	196,625
Takaful revenue	(520,432)	-	-	-	(520,432)
Takaful service expenses					
Incurred claims and other expenses	-	-	333,822	8,547	342,369
Net takaful acquisition costs	72,641	-	-	-	72,641
Changes to liabilities for incurred claims	-	-	3,620	(8,674)	(5,054)
Takaful service result	(447,791)	-	337,442	(127)	(110,476)
Takaful finance expenses	-	-	1,906	-	1,906
Total changes in statement of comprehensive income	(447,791)	-	339,348	(127)	(108,570)
<i>Cash flows</i>					
Contribution received	472,423	-	-	-	472,423
Claims and other expenses	-	-	(326,323)	-	(326,323)
Directly attributable expenses	-	-	(7,290)	-	(7,290)
Takaful acquisition cash flows	(73,218)	-	-	-	(73,218)
Total cash flows	399,205	-	(333,613)	-	65,592
Net takaful contract liabilities as at 31 December	12,292	-	136,587	4,768	153,647

Watania Takaful Family (PJSC)
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)

Contracts not measured under the PAA

	Liability 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	
2025				
Takaful contract liabilities as at 1 January	249,117	61,417	5,177	315,711
Takaful revenue	(15,573)	-	-	(15,573)
Takaful service expenses				
Incurred claims and other expenses	-	-	2,740	2,740
Net takaful acquisition costs	8,325	-	-	8,325
Losses on onerous contract and reversals	-	1,644	-	1,644
Changes to liabilities for incurred claims	-	-	79	79
Investment components	(55,325)	-	55,325	-
Takaful service result	(62,573)	1,644	58,144	(2,785)
Takaful finance expenses	21,972	76	21	22,069
Total changes in statement of comprehensive income	(40,601)	1,720	58,165	19,284
Cash flows				
Contribution received	92,347	-	-	92,347
Claims and other expenses paid	-	-	(57,971)	(57,971)
Takaful acquisition cash flows	(31,193)	-	-	(31,193)
Total cash flows	61,154	-	(57,971)	3,183
Net takaful contract liabilities as at 31 December	269,670	63,137	5,371	338,178
2024				
Takaful contract liabilities as at 1 January	262,094	35,688	3,361	301,143
Takaful revenue	(14,507)	-	-	(14,507)
Takaful service expenses				
Incurred claims and other expenses	-	-	3,925	3,925
Net takaful acquisition costs	7,328	-	-	7,328
Losses on onerous contract and reversals	-	25,763	-	25,763
Changes to liabilities for incurred claims	-	-	(2,942)	(2,942)
Investment components	(71,762)	-	71,762	-
Takaful service result	(78,941)	25,763	72,745	19,567
Takaful finance expenses	22,897	(34)	13	22,876
Total changes in statement of comprehensive income	(56,044)	25,729	72,758	42,443
Cash flows				
Contribution received	68,489	-	-	68,489
Claims and other expenses paid	-	-	(70,942)	(70,942)
Takaful acquisition cash flows	(25,422)	-	-	(25,422)
Total cash flows	43,067	-	(70,942)	(27,875)
Net takaful contract liabilities as at 31 December	249,117	61,417	5,177	315,711

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7 Takaful and retakaful contracts (continued)

Reconciliation of measurement component of takaful contract balances not measured under the PAA

	Estimates of present value of future cash flows AED'000	Risk adjustment for non- financial risk AED'000	CSM	
			Contractual service margin AED'000	Total AED'000
2025				
Takaful contract liabilities as at 1 January	290,570	10,546	14,595	315,711
Changes that relate to current services				
CSM recognised for services provided	-	-	(1,631)	(1,631)
Change in risk adjustment for non-financial risk for risk expired	-	(9,350)	-	(9,350)
Experience adjustments	(4,780)	88	-	(4,692)
Changes that relate to future services				
Contracts initially recognised in the year	(10,718)	200	10,545	27
Changes in estimates that adjust the CSM	8,255	(76)	(8,179)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	12,797	(15)	-	12,782
Changes that relate to past services				
Adjustments to liabilities for incurred claims	344	(265)	-	79
Takaful service result	5,898	(9,418)	735	(2,785)
Net finance expenses from takaful contracts	21,926	-	143	22,069
Total changes in the statement of profit or loss	27,824	(9,418)	878	19,284
Cash flows				
Contributions received	92,347	-	-	92,347
Claims and other directly attributable expenses paid	(57,971)	-	-	(57,971)
Takaful acquisition cash flows paid	(31,193)	-	-	(31,193)
Total cash flows	3,183	-	-	3,183
Takaful contract liabilities as at 31 December	321,577	1,128	15,473	338,178

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7 Takaful and retakaful contracts (continued)

Reconciliation of measurement component of takaful contract balances not measured under the PAA (continued)

	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM	
			Contractual service margin AED'000	Total AED'000
2024				
Takaful contract liabilities as at 1 January	277,660	9,320	14,163	301,143
Changes that relate to current services				
CSM recognised for services provided	-	-	(1,990)	(1,990)
Change in risk adjustment for non-financial risk for risk expired	-	3,281	-	3,281
Experience adjustments	(8,516)	3,184	-	(5,332)
Changes that relate to future services				
Contracts initially recognised in the year	(13,014)	2,078	11,122	186
Changes in estimates that adjust the CSM	8,655	192	(8,847)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	30,765	(4,401)	-	26,364
Changes that relate to past services				
Adjustments to liabilities for incurred claims	166	(3,108)	-	(2,942)
Takaful service result	18,056	1,226	285	19,567
Net finance expenses from takaful contracts	22,729	-	147	22,876
Total changes in the statement of profit or loss	40,785	1,226	432	42,443
Cash flows				
Contributions received	68,489	-	-	68,489
Claims and other directly attributable expenses paid	(70,942)	-	-	(70,942)
Takaful acquisition cash flows paid	(25,422)	-	-	(25,422)
Total cash flows	(27,875)	-	-	(27,875)
Takaful contract liabilities as at 31 December	290,570	10,546	14,595	315,711

Watania Takaful Family (PJSC)
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

Contracts measured under the PAA

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED'000
	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	
2025					
Retakaful contract assets as at 1 January	(284,351)	-	368,709	729	85,087
Retakaful contract liabilities as at 1 January	(190,435)	-	139,074	2,835	(48,526)
Net retakaful contract (liabilities)/assets	(474,786)	-	507,783	3,564	36,561
An allocation of retakaful contributions	(247,745)	-	-	-	(247,745)
Amounts recoverable from reinsurers for incurred claims	-	-	-	-	
Amounts recoverable for incurred claims and other expenses	-	-	165,396	1,249	166,645
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-
Expenses directly attributable to retakaful	-	-	(1,262)	-	(1,262)
Changes to amounts recoverable for incurred claims	-	-	(17,585)	(1,878)	(19,463)
Net income or expense from retakaful contracts held	(247,745)	-	146,549	(629)	(101,825)
Retakaful finance income			7,414	-	7,414
Total changes in the statement of comprehensive income	(247,745)	-	153,963	(629)	(94,411)
Cash flows					
Retakaful Contributions paid	415,359	-	-	-	415,359
Directly attributable expenses paid	-	-	1,262	-	1,262
Amounts received	-	-	(333,665)	-	(333,665)
Total cash flows	415,359	-	(332,403)	-	82,956
Net retakaful contract (liabilities)/assets as at 31 December	(307,172)	-	329,343	2,935	25,106
Retakaful contract assets as at 31 December	(112,400)	-	210,772	559	98,931
Retakaful contract liabilities as at 31 December	(194,772)	-	118,571	2,376	(73,825)
Net retakaful contract (liabilities)/assets as at 31 December	(307,172)	-	329,343	2,935	25,106

Watania Takaful Family (PJSC)
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)

Contracts measured under the PAA (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED'000
	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	
2024					
Retakaful contract assets as at 1 January	(180,257)	-	261,491	756	81,990
Retakaful contract liabilities as at 1 January	(116,128)	-	91,466	2,247	(22,415)
Net retakaful contract (liabilities)/assets	(296,385)	-	352,957	3,003	59,575
An allocation of retakaful contributions	(247,721)	-	-	-	(247,721)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	170,380	1,345	171,725
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-
Expenses directly attributable to retakaful	-	-	(1,069)	-	(1,069)
Changes to amounts recoverable for incurred claims	-	-	(6,886)	(784)	(7,670)
Net income or expense from retakaful contracts held	(247,721)	-	162,425	561	(84,735)
Retakaful finance income	-	-	4,382	-	4,382
Total changes in the statement of comprehensive income	(247,721)	-	166,807	561	(80,353)
<i>Cash flows</i>					
Retakaful Contributions paid	69,320	-	-	-	69,320
Directly attributable expenses paid	-	-	1,097	-	1,097
Amounts received	-	-	(13,078)	-	(13,078)
Total cash flows	69,320	-	(11,981)	-	57,339
Net retakaful contract (liabilities)/assets as at 31 December	(474,786)	-	507,783	3,564	36,561
Retakaful contract assets as at 31 December	(284,351)	-	368,709	729	85,087
Retakaful contract liabilities as at 31 December	(190,435)	-	139,074	2,835	(48,526)
Net retakaful contract (liabilities)/assets as at 31 December	(474,786)	-	507,783	3,564	36,561

Watania Takaful Family (PJSC)
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)

Contracts not measured under the PAA

	Assets for remaining coverage		Amounts recoverable on incurred claims	Total AED'000
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Estimates of the present value of future cash flows AED'000	
2025				
Retakaful contract liabilities as at 1 January	(10,522)	13,849	1,751	5,078
Net retakaful contract (liabilities)/assets	(10,522)	13,849	1,751	5,078
An allocation of retakaful contributions	(5,175)	-	-	(5,175)
Amounts recoverable for incurred claims and other expenses	-	-	(14)	(14)
Changes in fulfilment cash flows that do not adjust underlying CSM	-	2,714	-	2,714
Expenses directly attributable to retakaful	-	-	(802)	(802)
Changes that relate to past services	-	-	2,058	2,058
Net income or expense from retakaful contracts held	(5,175)	2,714	1,242	(1,219)
Retakaful finance income/expense	(76)	-	37	(39)
Total changes in the statement of comprehensive income	(5,251)	2,714	1,279	(1,258)
Cash flows				
Retakaful Contributions paid	4,472	-	-	4,472
Directly attributable expenses paid	-	-	802	802
Amounts received	-	-	(338)	(338)
Total cash flows	4,472	-	464	4,936
Net retakaful contract (liabilities)/assets as at 31 December	(11,301)	16,563	3,494	8,756

Watania Takaful Family (PJSC)
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)

Contracts not measured under the PAA (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims	Total AED'000
	Excluding loss recovery component AED'000	Loss recovery component AED'000	Estimates of the present value of future cash flows AED'000	
2024				
Retakaful contract liabilities as at 1 January	(15,789)	192	912	(14,685)
Net retakaful contract (liabilities)/assets	(15,789)	192	912	(14,685)
An allocation of retakaful contributions	892	-	-	892
Amounts recoverable for incurred claims and other expenses	-	-	936	936
Changes in fulfilment cash flows that do not adjust underlying CSM	-	13,657	-	13,657
Expenses directly attributable to retakaful	-	-	(637)	(637)
Changes that relate to past services	-	-	49	49
Net income or expense from retakaful contracts held	892	13,657	348	14,897
Retakaful finance income/expense	(353)	-	3	(350)
Total changes in the statement of comprehensive income	539	13,657	351	14,547
<i>Cash flows</i>				
Retakaful Contributions paid	4,728	-	-	4,728
Directly attributable expenses paid	-	-	638	638
Amounts received	-	-	(150)	(150)
Total cash flows	4,728	-	488	5,216
Net retakaful contract (liabilities)/assets as at 31 December	(10,522)	13,849	1,751	5,078

Watania Takaful Family (PJSC)
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)

Analysis by measurement component – Contracts not measured under the PAA

	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM	
			Contractual service margin AED'000	Total AED'000
2025				
Retakaful contract liabilities as at 1 January	(4,365)	4,594	4,849	5,078
Net retakaful contract (liabilities)/assets	(4,365)	4,594	4,849	5,078
Changes that relate to current services				
CSM recognised for services provided	-	-	1,445	1,445
Change in risk adjustment for non-financial risk for risk expired	-	(3,971)	-	(3,971)
Experience adjustments	(3,452)	(14)	-	(3,466)
Changes that relate to future services				
Contracts initially recognised in the year	(332)	17	316	1
Changes in estimates that adjust the CSM	305	(29)	(276)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	2,714	2,714
Changes that relate to past service	2,157	(99)	-	2,058
Net expenses from retakaful contracts	(1,322)	(4,096)	4,199	(1,219)
Net finance income from retakaful contracts	(231)	-	192	(39)
Total changes in the statement of comprehensive income	(1,553)	(4,096)	4,391	(1,258)
Cash flows				
Contributions received	4,472	-	-	4,472
Claims and other directly attributable expenses paid	802	-	-	802
Recoveries from retakaful	(338)	-	-	(338)
Total cash flows	4,936	-	-	4,936
Net retakaful contract (liabilities)/assets as at 31 December	(982)	498	9,240	8,756

Watania Takaful Family (PJSC)
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)

Analysis by measurement component – Contracts not measured under the PAA:

	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM	
			Contractual service margin AED'000	Total AED'000
2024				
Retakaful contract liabilities as at 1 January	(9,002)	3,425	(9,108)	(14,685)
Net retakaful contract (liabilities)/assets	(9,002)	3,425	(9,108)	(14,685)
Changes that relate to current services				
CSM recognised for services provided	-	-	1,519	1,519
Change in risk adjustment for non-financial risk for risk expired	-	982	-	982
Experience adjustments	(1,340)	30	-	(1,310)
Changes that relate to future services				
Contracts initially recognised in the year	(646)	76	570	-
Changes in estimates that adjust the CSM	1,638	26	(1,663)	1
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	13,657	13,657
Changes that relate to past service	(7)	55	-	48
Net expenses from retakaful contracts	(355)	1,169	14,083	14,897
Net finance income from retakaful contracts	(224)	-	(126)	(350)
Total changes in the statement of comprehensive income	(579)	1,169	13,957	14,547
<i>Cash flows</i>				
Contributions received	4,728	-	-	4,728
Claims and other directly attributable expenses paid	638	-	-	638
Recoveries from retakaful	(150)	-	-	(150)
Total cash flows	5,216	-	-	5,216
Net retakaful contract (liabilities)/assets as at 31 December	(4,365)	4,594	4,849	5,078

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

7 Takaful and retakaful contracts (continued)

Reconciliation of the measurement components of takaful and retakaful contract balances measured under both PAA and Non-PAA as at:

	PAA AED'000	Non-PAA AED'000	Total AED'000
2025			
Takaful contract liabilities	236,248	338,178	574,426
Retakaful contract assets	(98,931)	(8,756)	(107,687)
Retakaful contract liabilities	73,825	-	73,825
2024			
Takaful contract liabilities	153,647	315,711	469,358
Retakaful contract assets	(85,087)	(5,078)	(90,165)
Retakaful contract liabilities	48,526	-	48,526

8 Due to shareholder and due from policyholders

The balance consists of the net of Wakala fees and Qard Hassan balances that is due from the policyholders to the shareholder amounting to AED 75.1 million (2024: Due from the policyholders to the shareholder amounting to AED 79.3 million).

9 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 shareholder, 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.

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 (PJSC) – <i>Parent Company</i>	2,828	17,744
Watania Takaful General (PJSC) - <i>Entity under common control</i>	-	9,219
	2,828	26,963

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

<i>Attributable to policyholders:</i>		
Due from related parties	9,430	62,547
<i>Attributable to shareholder:</i>		
Due to related parties	6,602	35,584

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

9 Related party transactions (continued)

Transactions with related parties included in the financial statements are as follows:

	2025 AED'000	2024 AED'000
Expenses recharged from related parties	25,892	24,426
Gross contributions in respect of takaful contracts	6,729	7,377
Transfers of employees' end of service benefit	-	434
Transfer of property and equipment	124	(17)

Certain costs such as personnel costs, rent and utilities, advertising, legal and professional expenses, depreciation and other shared costs are incurred by Watania Takaful General (PJSC) (WTG), Watania Takaful Family (PJSC) (WTF) and Watania International Holding (PJSC) (WIH), which are shared on a mutually agreed basis. The shared service costs are allocated based on approved allocation for the year, with different rates applied to certain expense categories (2024: 42.5% to WTG, 52.5% to WTF and 5% to WIH).

Wakala deposits amounting to AED 47.4 million (2024: AED 39.4 million) are pledged for a Murabaha facility taken by Parent Company. As at 31 December 2025, Wakala deposits and bank balances of AED 1 million are under the name of related parties (31 December 2024: 3.5 million).

Compensation of key management personnel

	2025 AED'000	2024 AED'000
Short term benefits	1,200	1,500
Long term benefits	92	74
	<u>1,292</u>	<u>1,574</u>

10 Prepayments and other receivables

	2025 AED'000	2024 AED'000
Prepaid expenses	657	969
Accrued profit on wakala deposits	4,172	1,335
Advances	-	2,293
Due from related parties	9,430	-
Other receivables	13,101	12,960
	<u>27,360</u>	<u>17,557</u>
Attributable to:		
Policyholders	13,178	6,004
Shareholder	14,182	11,553
	<u>27,360</u>	<u>17,557</u>

11 Cash and cash equivalents

	2025 AED'000	2024 AED'000
Cash and current accounts	55,660	44,480
Investments in wakala deposits	178,609	121,003
	<u>234,269</u>	<u>165,483</u>
Less: Statutory deposit	(4,000)	(4,000)
Less: Deposits under lien	(12,026)	(2,794)
Less: Deposits pledged against parent company's Murabaha facility	(47,400)	(39,400)
Less: Investments in wakala deposits with original maturities of more than three months	(111,883)	(52,502)
Cash and cash equivalent for purpose of cash flows	<u>58,960</u>	<u>66,787</u>

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

11 Cash and cash equivalents (continued)

	2025 AED'000	2024 AED'000
<i>Attributable to policyholders</i>		
Wakala deposits	106,006	61,700
Cash and bank balances	46,137	23,232
	<u>152,143</u>	<u>84,932</u>
<i>Attributable to shareholder</i>		
Wakala deposits	68,603	55,303
Cash and bank balances	9,523	21,248
	<u>78,126</u>	<u>76,551</u>
Restricted deposit	4,000	4,000
	<u>82,126</u>	<u>80,551</u>
Total cash and cash equivalents	<u>234,269</u>	<u>165,483</u>

Restricted deposit

At 31 December 2025, the statutory deposit of AED 4.0 million (2024: AED 4.0 million) has been placed with a bank as a Wakala deposit in accordance with Federal Decree Law No. (6) of 2025 for the purpose of carrying on 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 3.50% p.a. (2024: 4.25% p.a).

Bank guarantees issued by bank on behalf of the Company are secured against Wakala deposits of AED 16.1 million (2024: AED 6.8 million). The outstanding guarantees issued in lieu of statutory deposits and deposits under lien as at 31 December 2025 amounted to AED 16.0 million (2024: AED 6.8 million).

Wakala deposits

The wakala deposits carried an anticipated profit rate of 3.20% to 5.20% per annum (31 December 2024: 3.80% to 5.20% per annum). Deposits amounting to AED 47.4 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.

12 Property and equipment

	Office equipment AED'000	Computer equipment and software AED'000	Motor vehicle AED'000	Capital work in progress AED'000	Total AED'000
2025					
Cost					
At 1 January	6	16,194	250	599	17,049
Additions	8	204	-	76	288
Write off	-	-	-	(229)	(229)
Intercompany transfer	-	110	-	14	124
At 31 December	<u>14</u>	<u>16,508</u>	<u>250</u>	<u>460</u>	<u>17,232</u>
Accumulated depreciation					
At 1 January	6	15,408	250	-	15,664
Charge for the year	-	912	-	-	912
At 31 December	<u>6</u>	<u>16,320</u>	<u>250</u>	<u>-</u>	<u>16,576</u>
Carrying amount at 31 December	<u>8</u>	<u>188</u>	<u>-</u>	<u>460</u>	<u>656</u>

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

12 Property and equipment (continued)

2024	Office equipment AED'000	Computer equipment and software AED'000	Motor vehicle AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January	6	16,121	250	277	16,654
Additions	-	4	-	408	412
Transfers	-	69	-	(69)	-
Intercompany transfer	-	-	-	(17)	(17)
At 31 December	6	16,194	250	599	17,049
Accumulated depreciation					
At 1 January	6	14,100	250	-	14,356
Charge for the year	-	1,308	-	-	1,308
At 31 December	6	15,408	250	-	15,664
Carrying amount at 31 December	-	786	-	599	1,385

13 Accruals and other payables

	2025 AED'000	2024 AED'000
Due to related parties	6,601	29,825
Accrued expenses	635	643
Other payables	11,029	4,626
	18,265	35,094
<i>Attributable to:</i>		
Policyholders	8,502	448
Shareholder	9,763	34,646
	18,265	35,094

14 Qard Hassan

	2025 AED'000	2024 AED'000
Deficit in policyholders' fund:		
Balance as at 1 January 2025	(357,107)	(358,540)
Surplus during the year	18,937	1,433
As at 31 December 2025	(338,170)	(357,107)
Qard Hasan from shareholder		
Balance as at 1 January 2025	357,107	358,540
Reversal during the year	(18,937)	(1,433)
As at 31 December 2025	338,170	357,107

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	5,370	4,974
(Reversal)/ charged during the year	(103)	1,617
Paid during the year	(762)	(1,655)
Transfer from a related party	-	434
As at 31 December	4,505	5,370

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

16 Share capital

	2025 AED'000	2024 AED'000
Authorised share capital: 200,000,000 shares of AED 1 each, issued and fully paid-up share capital: 147,500,000 shares of AED 1 each (2024: 147,500,000 shares of AED 1 each)	<u>147,500</u>	147,500

The authorised capital of the Company is AED 200 million and a fixed share capital of AED 147.5 million divided into 147.5 million shares with a nominal value of AED 1. All shares are cash shares of equal value.

The Board of Directors has proposed a cash dividend of AED 23.6 million for the year ended 31 December 2025 (2024: No proposed cash dividend).

17 Reserves

Statutory reserve

In accordance with the Commercial Companies Law No. 32 of 2021, Article No. 241 and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. For the year ended 31 December 2025, an amount of AED 4 million (2024: AED 2.5 million) was transferred from retained earnings to statutory reserve.

Retakaful reserve

In accordance with Central bank of UAE's Board of Directors' Decision No. 23, Article 34, an amount of AED 1.3 million (2024: AED 1.3 million) was transferred from retained earnings to retakaful reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central bank of UAE.

18 Takaful revenue

	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
2025				
Contracts not measured under the PAA				
CSM recognised for services provided	-	-	1,631	1,631
Change in risk adjustment for non-financial risk for risk expired	-	-	3,746	3,746
Expected incurred claims and other takaful service expenses	-	-	2,400	2,400
Experience adjustments	-	-	(529)	(529)
Recovery of takaful acquisition cash flows	-	-	8,325	8,325
	-	-	<u>15,573</u>	<u>15,573</u>
Contracts measured under the PAA	448,578	128,037	-	576,615
	<u>448,578</u>	<u>128,037</u>	<u>15,573</u>	<u>592,188</u>
2024				
Contracts not measured under the PAA				
CSM recognised for services provided	-	-	1,990	1,990
Change in risk adjustment for non-financial risk for risk expired	-	-	(2,436)	(2,436)
Expected incurred claims and other takaful service expenses	-	-	6,179	6,179
Experience adjustments	-	-	1,445	1,445
Recovery of takaful acquisition cash flows	-	-	7,329	7,329
	-	-	<u>14,507</u>	<u>14,507</u>
Contracts measured under the PAA	389,753	130,679	-	520,432
	<u>389,753</u>	<u>130,679</u>	<u>14,507</u>	<u>534,939</u>

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

19 Takaful service expense

	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
2025				
Incurring claims and other expenses	317,682	39,562	2,740	359,984
Net takaful acquisition costs	54,033	19,386	8,325	81,744
Losses on onerous contracts and reversals of those losses	-	-	1,644	1,644
Changes to liabilities for incurred claims	30,299	(13,008)	79	17,370
	402,014	45,940	12,788	460,742
2024				
Incurring claims and other expenses	281,663	60,706	3,924	346,293
Net takaful acquisition costs	55,776	16,865	7,329	79,970
Losses on onerous contracts and reversals of those losses	-	-	25,763	25,763
Changes to liabilities for incurred claims	2,558	(7,612)	(2,942)	(7,996)
	339,997	69,959	34,074	444,030

20 Net takaful financial result

	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
2025				
Takaful finance (expense)/income from takaful contracts issued				
Profit accreted to takaful contracts using current financial assumptions	(921)	(982)	(16,785)	(18,688)
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	(200)	(200)
Due to changes in profit rates and other financial assumptions	(125)	(270)	(5,084)	(5,479)
Total takaful finance expenses from takaful contracts issued	(1,046)	(1,252)	(22,069)	(24,367)
Retakaful finance income/(expenses) from retakaful contracts held				
Profit accreted to retakaful contracts using current financial assumptions	4,674	1,793	76	6,543
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	(111)	(111)
Due to changes in profit rates and other financial assumptions	558	389	(4)	943
Retakaful finance income/(expenses) from retakaful contracts held	5,232	2,182	(39)	7,375
Total net investment income, takaful finance expenses and retakaful finance income	4,186	930	(22,108)	(16,992)

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

20 Net takaful financial result (continued)

2024	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
Takaful finance (expense)/income from takaful contracts issued				
Profit accreted to takaful contracts using current financial assumptions	(1,148)	(965)	(22,151)	(24,264)
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	(92)	(92)
Due to changes in profit rates and other financial assumptions	96	111	(633)	(426)
Total takaful finance expenses from takaful contracts issued	<u>(1,052)</u>	<u>(854)</u>	<u>(22,876)</u>	<u>(24,782)</u>
Retakaful finance income/(expenses) from retakaful contracts held				
Profit accreted to retakaful contracts using current financial assumptions	3,731	1,179	(429)	4,481
Effect of unlocking CSM at locked-in rates and FCF at current rates	-	-	(183)	(183)
Due to changes in profit rates and other financial assumptions	(364)	(164)	262	(266)
Retakaful finance income/(expenses) from retakaful contracts held	<u>3,367</u>	<u>1,015</u>	<u>(350)</u>	<u>4,032</u>
Total net investment income, takaful finance expenses and retakaful finance income	<u>2,315</u>	<u>161</u>	<u>(23,226)</u>	<u>(20,750)</u>

21 Wakala fees and Mudarib's fee

Wakala fees

Wakala fee for the year ended 31 December 2025 amounted to AED 20.8 million (2024: AED 27.62 million). The fee is calculated at maximum of 35% (2024: 35%) without any deduction of policy acquisition cost. Wakala fee is charged to the statement of income when incurred.

	2025 AED'000	2024 AED'000
Wakala fees charged before acquisition costs and attributed general and admin expenses	145,809	135,691
General and admin expenses attributed by takaful and retakaful operations	(60,330)	(47,046)
Policy acquisition costs	(64,678)	(61,028)
Wakala fees non-attributed with takaful and retakaful expenses	<u>20,801</u>	<u>27,617</u>

Mudarib fee

The shareholder also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib fee is charged at 35% (2024: 35%) of realised investment income. During the year, Mudarib's fee amounted to AED 3.3 million (2024: AED 3.2 million).

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025 (continued)

22 Investment and other income

	Policyholders AED'000	Shareholder AED'000	Total AED'000
2025			
Fair value gains			
Fair value gain on investment properties (Note 5)	538	-	538
Fair value gain on investments at FVTPL	2,369	864	3,233
Other investment income			
Income from wakala deposits	4,193	3,081	7,274
Dividend income	702	671	1,373
Income from debt securities	1,583	441	2,024
Investment expenses	(136)	-	(136)
Allowance for expected credit losses	(15)	(5)	(20)
Rebates	-	832	832
Rental income from investments properties – net (Note 5)	844	-	844
Other income	-	543	543
	10,078	6,427	16,505
2024			
Fair value gain on investment properties (Note 5)	1,190	-	1,190
Fair value gain on investments at FVTPL	2,269	(194)	2,075
Other investment income			
Income from wakala deposits	3,876	2,855	6,731
Dividend income	451	-	451
Income from debt securities	1,350	99	1,449
Investment expenses	(623)	-	(623)
Allowance for expected credit losses	43	(9)	34
Rebates	-	1,062	1,062
Rental income from investments properties – net (Note 5)	471	-	471
Other income	-	216	216
	9,027	4,029	13,056

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

23 General and administrative expenses

	2025 AED'000	2024 AED'000
Staff costs	3,271	3,771
Depreciation	545	732
IT and related costs	606	967
Legal and professional fees	1,022	940
Registration fees	782	134
Rent and utilities charges	95	136
Communication expenses	133	146
Advertising expenses	45	214
Printing and stationery charges	10	13
Travelling expenses	-	31
Others	615	1,481
	7,124	8,565

The Company has made social contributions during the year amounting to AED 6 thousand (2024: 190 thousand).

Watania Takaful Family (PJSC)
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For the year ended 31 December 2025 (continued)

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 shareholder. 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.

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Notes to the financial statements
For the year ended 31 December 2025

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:

	Medical & Group family		Individual family		Investments		Total	
	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000
Takaful revenue	576,615	520,432	15,573	14,507	-	-	592,188	534,939
Takaful service expenses	(447,954)	(409,956)	(12,788)	(34,074)	-	-	(460,742)	(444,030)
Takaful service result before retakaful contracts held	128,661	110,476	2,785	(19,567)	-	-	131,446	90,909
Allocation of retakaful contributions	(247,745)	(247,721)	(5,175)	892	-	-	(252,920)	(246,829)
Amounts recoverable from retakaful for incurred claims	145,920	162,986	3,956	14,005	-	-	149,876	176,991
Net expenses from retakaful contracts held	(101,825)	(84,735)	(1,219)	14,897	-	-	(103,044)	(69,838)
Takaful service result	26,836	25,741	1,566	(4,670)	-	-	28,402	21,071
Takaful finance expenses for takaful contracts issued	(2,298)	(1,906)	(22,069)	(22,876)	-	-	(24,367)	(24,782)
Retakaful finance Profit/(loss) for retakaful contracts held	7,414	4,382	(39)	(350)	-	-	7,375	4,032
Net takaful Profit/(loss)	31,952	28,217	(20,542)	(27,896)	-	-	11,410	321
Net fair value change in financial assets at FVTPL	2,369	2,269	-	-	864	(194)	3,233	2,075
Net gain on assets held at FVTPL	-	-	21,590	22,861	-	-	21,590	22,861
Investment and other income	7,709	6,758	-	-	5,563	4,223	13,272	10,981
Total investment income	10,078	9,027	21,590	22,861	6,427	4,029	38,095	35,917

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

26 Capital management

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholder 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 shareholder, return capital to the shareholder 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 15 million at AED 1 par value per share (Note 16), 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)	92,454	65,047
Minimum Guarantee Fund (MGF)	79,476	64,524
Basic Own Funds	154,993	122,535
MCR Solvency Margin – Surplus/(Deficit)	54,993	22,535
SCR Solvency Margin - Surplus/(Deficit)	62,538	57,488
MGF Solvency Margin - Surplus/(Deficit)	75,516	58,012

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

Watania Takaful Family (PJSC)
Notes to the financial statements
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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	339,423	272,680
At fair value	462,836	398,249
	<u>802,259</u>	<u>670,929</u>
Financial liabilities		
At amortised cost	<u>96,013</u>	<u>116,867</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 as follows:

Watania Takaful Family (PJSC)
Notes to the financial statements
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28 Risk management (continued)

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.

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, fire and medical 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.

Medical

Medical takaful is designed to compensate the contract holders for medical costs. Personal accident takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical takaful, the main risks are illness and related healthcare costs. The Company generally does not offer medical takaful to walk-in customers and is mainly offered to corporate customers with large population to be covered under the policy. The Company has retakaful to limit losses for any individual claim to 75%-80% of the claim amount.

Long term takaful contracts (life)

For unit-linked contracts, the capital risk element of the takaful liabilities can be matched against the investment for policyholders and therefore any change in the variables used to calculate these liabilities does not have any impact on the net asset or profit of the Company. In respect of unit-linked contracts, there is no uncertainty as to the amount to be paid by the Company on mortality or disability, as these are normally the coverage amounts under the policy. Reserves for mortality risk under unit-linked contracts include the reasonable possibility of significant loss due to the uncertainty of deaths among policyholders and rates of disability among policyholders.

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).

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 claim's 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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Takaful risk (continued)

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

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 below 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 AED'000	2024 AED'000
Impact of change in loss ratio by +/- 1%		
Medical	2,973	2,482
Group Life	250	217
	<u>3,223</u>	<u>2,699</u>

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 claim amounts.

The choice of selected results for each accident year of each class/type 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/type of business.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Takaful risk (continued)

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 AED'000	Retakaful contract liabilities AED'000	Net liabilities AED'000
2025			
Medical	159,495	63	159,558
Group family	76,753	73,762	150,515
Individual family	338,178	-	338,178
Total	574,426	73,825	648,251
2024			
Medical	105,071	1,001	106,072
Group family	48,576	47,525	96,101
Individual family	315,711	-	315,711
Total	469,358	48,526	517,884

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				Total
	2023	2023	2024	2025	
	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year					
2024	1,756,583	400,881	319,734	-	2,477,198
2025	1,753,498	400,648	320,088	350,406	2,824,640
Gross estimates of ultimate claims*					2,824,640
Gross estimates of undiscounted claims and other attributable expenses payable					44,400
Gross estimates of undiscounted amount of ultimate claims* and payables					2,869,040
Cumulative payments to date					2,714,191
Gross undiscounted liabilities for incurred claims					154,849
Effect of discounting					(2,553)
Effect of risk adjustment for non-financial risk					4,015
Total gross liabilities for incurred claims					156,311

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Takaful risk (continued)

Net claims development process

Accident Year	Before				Total
	2023	2023	2024	2025	
	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year					
2024	1,143,850	243,187	142,929	-	1,529,966
2025	1,141,209	242,296	156,548	181,068	1,721,121
Net estimates of ultimate claims*					1,721,121
Net estimates of undiscounted claims and other attributable expenses payable					(210,431)
Net estimates of undiscounted amount of ultimate claims* and payables					1,510,690
Cumulative payments to date					1,691,509
Net undiscounted liabilities for incurred claims					(180,819)
Effect of discounting					3,772
Effect of risk adjustment for non-financial risk					1,079
Total net assets for incurred claims					(175,968)

* Includes unallocated loss adjustment expense (ULAE) reserve.

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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Takaful risk (continued)

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.

	Changes in assumption AED'000	Takaful contract liabilities AED'000	Retakaful contract assets AED'000	Net liabilities AED'000	Gross impact on equity and SOCI AED'000	Net impact on equity and SOCI AED'000
2025						
Base		(574,426)	33,862	(540,564)	-	-
Discount rate	+1%	(573,436)	32,415	(541,021)	989	(458)
	-1%	(575,468)	35,303	(540,165)	(1,042)	399
Risk adjustment	+2.5%	(588,832)	36,500	(552,332)	(11,768)	(14,406)
	-2.5%	(570,778)	31,389	(539,389)	3,647	1,174
2024						
Base		(469,358)	41,639	(427,719)	-	-
Discount rate	+1%	(468,325)	40,174	(428,151)	1,033	(432)
	-1%	(470,497)	43,107	(427,390)	(1,139)	330
Risk adjustment	+2.5%	(482,235)	41,736	(440,499)	(12,877)	(12,780)
	-2.5%	(459,034)	40,856	(418,178)	10,324	9,542

Financial risk

The main risks arising from the Company's financial instruments are credit risk, liquidity 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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Financial risk (continued)

i) Credit risk (continued)

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.

The table on the next page presents an analysis of 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	8,244	242
A	217,156	164,737
BBB	3,487	101
BB and others	5,382	402
	<u>234,269</u>	<u>165,482</u>

The Company's financial assets at FVTPL are held across various countries. The table below presents an analysis of financial assets at FVTPL 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	-	307
AA	12,129	11,002
A	35,433	37,999
BBB	19,785	17,207
BB and others	34,732	3,069
	<u>102,079</u>	<u>69,584</u>

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, and outside United Arab Emirates (note 6).

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.

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Financial risk (continued)

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.

For VFA and GMM, Takaful and retakaful contract liabilities are measured using discounted cash flows.

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 on the next page:

	Less than one year AED'000	More than one year AED'000	Total AED'000
2025			
Assets			
Investment securities	462,836	2,642	465,478
Restricted deposits	4,000	-	4,000
Wakala deposits	174,609	-	174,609
Retakaful contract assets	107,687	-	107,687
Other assets	17,273	-	17,273
Cash and cash equivalents	55,660	-	55,660
	822,065	2,642	824,707
Liabilities			
Other liabilities	18,265	7,101	25,366
Takaful contract liabilities	574,426	-	574,426
Retakaful contract liabilities	73,825	-	73,825
	666,516	7,101	673,617
2024			
Investment securities	377,350	31,246	408,596
Restricted deposits	4,000	-	4,000
Wakala deposits	117,003	-	117,003
Retakaful contract assets	90,165	-	90,165
Other assets	16,588	-	16,588
Cash and cash equivalents	44,480	-	44,480
	649,586	31,246	680,832
Liabilities			
Other liabilities	35,094	7,850	42,944
Takaful contract liabilities	469,358	-	469,358
Retakaful contract liabilities	48,526	-	48,526
	552,978	7,850	560,828

Watania Takaful Family (PJSC)
Notes to the financial statements
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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 on the next page 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'000
2025		
Profit bearing assets	100	2,807
2024		
Profit bearing assets	100	1,906

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.

vi) Equity price risk

Equity 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 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:

	Reflected in SOCI	
	Favourable change AED'000	Unfavourable change AED'000
2025		
Equity securities	10,470	(10,470)
2024		
Equity securities	2,718	(2,718)

Watania Takaful Family (PJSC)
Notes to the financial statements
For the year ended 31 December 2025

28 Risk management (continued)

Financial risk (continued)

vii) 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 AED 0.03 million capital commitments as at year end (2024: 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).

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30 Fair value measurements (continued)

	Fair value as at		Fair value hierarchy	Valuation techniques and key	Significant unobservable input	Relationship of unobservable inputs to fair value
	2025	2024				
	AED'000	AED'000				
Investments held at FVTPL						
Quoted equity and debt securities	99,437	59,237	Level 1	Quoted bid prices in an active market	N/A	N/A
Mutual funds units	363,399	339,012	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

The management considers that the carrying amounts of financial assets held 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 table above.

31 Gross written contributions

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

2025	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
Direct written contribution	504,763	132,525	91,854	729,142
Assumed business				
Foreign	-	-	-	-
Local	-	-	-	-
Total assumed business	-	-	-	-
Gross written contribution	504,763	132,525	91,854	729,142
2024				
Direct written contribution	406,914	129,196	68,917	605,027
Assumed business				
Foreign	-	-	-	-
Local	-	-	-	-
Total assumed business	-	-	-	-
Gross written contribution	406,914	129,196	68,917	605,027

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32 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:

	2025 AED'000	2024 AED'000
Statement of comprehensive income ("SOCI")		
Current tax:		
Change in respect of current year	2,090	2,253
Deferred tax:		
Charge in respect of current year	278	227
Net income tax expense recognised in the SOCI	2,368	2,480

Movement in current tax payable:

	2025 AED'000	2024 AED'000
Balance at 1 January	2,253	-
Current tax charge for the year	2,090	2,253
Tax paid during the year	(2,253)	-
Balance at 31 December	2,090	2,253

Movement in net deferred tax liability:

	2025 AED'000	2024 AED'000
Balance at 1 January	227	-
Changes in fair value of investments	230	120
Change in fair value of investment properties	49	107
Balance at 31 December	506	227

The Effective Tax Rate (ETR) for the period ending 31 December 2025 is 5.59%.

Watania Takaful Family (PJSC)
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32 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 before tax	42,381	27,673
Tax calculated at statutory rate of 9%	3,814	2,491
<i>Effect of:</i>		
Tax impact of exempt income	(124)	(41)
Tax impact of disallowed expenses	26	64
Standard deduction	(29)	(34)
Others	(1,319)	-
Income tax expense	2,368	2,480

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

33. 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 normalize 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.

34. Approval of 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.