

**State Life Insurance Corporation of Pakistan -
U.A.E. Branches
Dubai, United Arab Emirates
Independent auditor's report and financial
statements
For the year ended December 31, 2025**

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

Table of contents

	Pages
General information	1
Independent auditor’s report	2-4
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-38

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

General information

Dubai Branch Office Address <i>(Main office of all branches)</i>	:	Sheikh Saeed Bin Saqr Al Qasmi Building, Salah Al Din Road, P.O. Box: 11278, Dubai, United Arab Emirates T: +971 4 2729061 F: +971 4 2729051 Email: slicdxb@emirates.net.ae
Abu Dhabi Branch Office Address	:	Plot No. C94, Al Dhafra Building 403 Sultan Bin Zayed The First St, P.O. Box: 2291 Abu Dhabi, United Arab Emirates T: +971 2 6339044 F: +971 2 6326192
Sharjah Branch Office Address	:	Office no. 149, Damas 14, Al Zahra Street, P.O. Box: 72246 Sharjah, United Arab Emirates T: +971 6 5238460 F: +971 6 5238461
Auditor	:	Crowe Mak P.O. Box: 6747 Dubai, United Arab Emirates
Banks	:	Bank of Singapore Limited Habib Bank Limited Bank Alfalah Limited Bank Julius Baer & Co. Ltd. United Bank Limited Standard Chartered Bank Limited

Ref: MK/A3290/March' 2026

Independent auditor's report

To,
The Board of Directors
State Life Insurance Corporation of Pakistan - U.A.E. Branches
P.O. Box: 11278
Dubai, United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the financial statements of State Life Insurance Corporation of Pakistan - U.A.E. Branches (the "Branches") which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branches as at December 31, 2025, and 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 Branches in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with ethical requirements that are relevant to audits of the financial statements in the United Arab Emirates. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Branches for the year ended 31 December 2024 which are shown as comparatives, were audited by other auditors who expressed an unmodified opinion on those statements on 28 March 2025.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters,

Key audit matter	How our audit addressed the key audit matter
Valuation of Insurance / Reinsurance Contract Assets and Contract Liabilities	
As at December 31, 2025, the Branches' Insurance / Reinsurance Contract Assets and Contract Liabilities are valued at AED 418 million / AED 671k and AED 263k AED 2 million respectively. (Refer to note 6).	We performed the following procedures in conjunction with our actuarial specialists:
Valuation of these Insurance / Reinsurance Contract Assets and Contract Liabilities involves significant judgements and estimates, particularly with respect to the eligibility of measurement models and estimation of the present value of future cash flows.	Understood and evaluated the process, the design and implementation of controls in place to determine valuation of Insurance / Reinsurance Contract Assets and Contract Liabilities;
These cash flows and liabilities primarily include expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cashflows, which are within the contract boundaries.	Assessed the competence, capabilities and objectivity of management's appointed actuary;
	Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows;

Independent auditor's report (continued)

To the Board of Directors of State Life Insurance Corporation of Pakistan - U.A.E. Branches

Report on the audit of the financial statements (continued)

Key Audit Matters (continued)

<p>The calculation for these liabilities and assets includes significant estimation and involvement of actuarial experts in order to ensure the appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of future cash flows.</p>	<p>Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgements applied;</p>
<p>As a result of all the above factors, we consider the valuation of these Insurance / Reinsurance Contract Assets and Contract Liabilities as a key audit matter.</p>	<p>Independently re-performed the calculation to assess the mathematical accuracy of the Insurance / Reinsurance Contract Assets and Contract Liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves;</p> <p>Evaluated and tested the calculation of the allowance for expected credit loss allowance including the data, key assumptions and judgments used; and</p> <p>Assessed the adequacy of disclosures included in the financial statements under the requirements of IFRS Accounting Standards.</p>

Responsibilities of 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 the IASB, and their preparation in compliance with the applicable provisions of the Federal Law No. (32) of 2021 and Federal Decree Law No. (6) of 2025 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 Branches' 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 Branches or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branches' 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 judgement 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 Branches' internal control.

Independent auditor's report (continued)

To the Board of Directors of State Life Insurance Corporation of Pakistan - U.A.E. Branches

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branches' 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 Branches to cease to continue as a going concern.
- 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.

Report on other legal and regulatory requirements

As required by the Federal Law No. (32) of 2021 and Federal Decree Law No. (6) of 2025 Regulating Insurance Activities issued by the Central Bank of the U.A.E. we further confirm that,

- 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 aspects with the applicable provisions of the above mentioned laws,
- iii) The Branches have maintained proper books of account,
- iv) The Branches have investments in bonds during the year ended 31 December 2025 are disclosed in note 9 and 10 to these financial statements, and
- v) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Branches has contravened, during the financial year ended, any of the applicable provisions of the Federal Law No. (32) of 2021 and Federal Decree Law No. (6) of 2025 Regulating Insurance Activities issued by the Central Bank of the U.A.E., which would materially affect its activities or its financial position as of December 31, 2025.

Crowe Mak


Khalid Mehmood Chaudhry
Senior Partner
Registered Auditor Number: 635
Dubai, United Arab Emirates
30 March 2026



State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Statement of financial position as at December 31, 2025
In Arab Emirates Dirham ('000)

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Property and equipment	5	93	53
Statutory deposits	7	4,000	4,000
Loans guaranteed by life insurance policies	8	21,177	18,578
Investments carried at amortized cost	9	572,537	481,393
Investments carried at fair value through profit or loss	10	24,471	23,452
Accrued investment income		11,021	10,091
Other receivables and prepayments		656	456
Insurance contract assets	6	263	1,700
Reinsurance contract assets	6	2,033	196
Fixed deposits	11	11,545	100,793
Cash and bank balances	12	15,829	5,744
Total assets		663,625	646,456
EQUITY AND LIABILITIES			
Equity			
Head office account		240,437	250,886
Total equity		240,437	250,886
LIABILITIES			
Employees' end of service benefits	13	799	737
Reinsurance risk reserves	14	17	14
Insurance contract liabilities	6	418,694	391,596
Reinsurance contract liabilities	6	671	645
Other current liabilities	15	3,007	2,578
Total liabilities		423,188	395,570
Total equity and liabilities		663,625	646,456

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 4.

The financial statements on pages 5 to 38 were approved on March 30, 2026 and signed on behalf of the Branches by:



Mr. Anjum Rashid
Chief Executive Officer UAE



**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

Statement of profit or loss and other comprehensive income for the year ended December 31, 2025

In Arab Emirates Dirham ('000)

	Notes	For the year ended 31 December 2025	For the year ended 31 December 2024
Insurance revenue	16	37,694	34,306
Insurance service expenses	16	(37,501)	(32,010)
Net expenses from reinsurance contracts held	16	1,488	(203)
Insurance service result		1,681	2,093
Net investment income	17	19,736	19,800
Finance expense	6	(19,948)	(20,313)
Net insurance finance (expenses)		(19,948)	(20,313)
Net insurance and investment results		1,469	1,580
Other finance income		234	324
Total income		1,703	1,904
General expenses		(1,302)	(1,360)
Net profit before tax for the year		401	544
Tax expense	18	(2)	(15)
Net profit after tax for the year		399	529
Other comprehensive income			
Total comprehensive income for the year		399	529

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 4.

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Statement of changes in equity for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

	Head office account	Total equity
Balance as at January 1, 2024	254,296	254,296
Head office share in surplus	456	456
Net movements	<u>(3,866)</u>	<u>(3,866)</u>
Balance as at December 31, 2024	<u>250,886</u>	<u>250,886</u>
Balance as at January 1, 2025	250,886	250,886
Head office share in surplus	487	487
Net movements	<u>(10,936)</u>	<u>(10,936)</u>
Balance as at December 31, 2025	<u>240,437</u>	<u>240,437</u>

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 4.

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Statement of cash flows for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

	For the year ended 31 December 2025	For the year ended 31 December 2024
Net profit before tax for the period	401	544
<i>Adjustments for:</i>		
Depreciation on property and equipment	13	11
Amortization of bonds	(1,130)	(3,419)
Unrealised gain on investments at fair value through profit or loss (FVTPL)	(1,019)	2,271
Provision for employees' end of service benefits	92	117
	(1,643)	(476)
<i>(Increase) / decrease in current assets</i>		
Accrued investment income	(930)	4,947
Insurance and reinsurance contract assets	(400)	(926)
Other receivables and prepayments	(200)	(28)
<i>Increase / (decrease) in current liabilities</i>		
Insurance and reinsurance contract liabilities	26,726	27,763
Other current liabilities	429	151
Cash generated from operations	23,982	31,431
Employees' end-of-services benefits paid	(30)	1
Net cash generated from operating activities	23,952	31,432
Cash flows from investing activities		
Increase in loans to policy holders	(2,599)	(1,032)
Increase in investments carried at amortized cost	(90,014)	(83,324)
Proceeds from maturity of fixed deposits	89,248	(100,793)
Purchase of property and equipment	(53)	(32)
Net cash used in investing activities	(3,418)	(185,181)
Cash flows from financing activities		
(Decrease) in head office account	(10,449)	(3,410)
Net cash (used in) financing activities	(10,449)	(3,410)
Net increase/(decrease) in cash and cash equivalents	10,085	(157,159)
Cash and cash equivalents, beginning of the year	5,744	162,903
Cash and bank balances, end of the year	15,829	5,744
Cash and bank balances		
Cash at banks	15,829	5,744
	15,829	5,744

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 4.

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

1 General Information

- 1.1** State Life Insurance Corporation of Pakistan – U.A.E. Branches (the “Branches”) are branches of a foreign Branches, State Life Insurance Corporation of Pakistan which was incorporated in Pakistan on November 1, 1972 Under the Life Insurance Nationalization Order, 1972. The Branches are subject to the regulations of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and registered with the Insurance Authority (CBUAE) of United Arab Emirates under registration no. 054.
- 1.2** The Entity is licensed to underwrite the life assurance policies in accordance with the provisions of Federal Law No. 6 of 2007.
- 1.3** The registered address of the main office of the Branches in the U.A.E is located at Sheikh Saeed Bin Saqr Al Qasmi Building, Salah Al Din Road, P.O. Box: 11278, Dubai, United Arab Emirates.
- 1.4** The management is vested with Mr. Anjum Rashid, Chief Executive Officer U.A.E, Pakistani national.
- 1.5** These financial statements incorporate the operating results of the commercial license no. 203723 and following branches.

Branch location	Date of registration	License issuing authority	License no.	Type of license
1. Dubai, U.A.E.	27 Apr 1978	Economy and Tourism Department, Dubai, U.A.E.	203723	Commercial
2. Abu Dhabi, U.A.E.	28 Feb 1990	Department of Economic Development, Abu Dhabi, U.A.E.	CN-1001352	Business
3. Sharjah, U.A.E.	17 Mar 2011	Economic Development Department, Sharjah, U.A.E.	611987	Trading

2 Application of new and revised Standards

2.1 New and amended Standards that are effective for the current year

In the current year, the Branches have applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised Standards

Effective for annual periods beginning on or after

Amendments to IAS 21 Lack of exchangeability

1 Jan 2026

Management has adopted the new and amended IFRS standards in the current period and believes that these standards do not have material impact on these financial statements.

2 Application of new and revised Standards (continued)

2.2 New and revised Standards in issue but not yet effective

The Branches have not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised Standards	Effective for annual periods beginning on or after
Amendments to IAS 21 Lack of exchangeability	1 Jan 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	1 Jan 2026
Amendments to IFRS 9 Financial Instruments and IFRS 7 Contracts Referencing Nature-dependent Electricity	1 Jan 2026
IFRS 18 Presentation and Disclosure in Financial Statements Disclosures—Supplier Finance Arrangements	1 Jan 2026
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 Jan 2026

Management anticipates that these standards will not have any significant impact on these financial statements.

3 Material accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

Current/Non-current classification

The Branches presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Branches classifies all other liabilities as non-current.

3 Material accounting policies (continued)

3.3 Current/Non-current classification (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, The Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies are set out below.

Functional currency

These financial statements are presented in Emirati Dirham, which is The Branches' functional currency.

3.4 Taxation

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

Current tax

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

Deferred tax

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

3 Material accounting policies (continued)

3.5 Insurance contracts

The Branch have initially adopted IFRS 17 Insurance Contracts from 1 January 2023. This Standard has brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Branch's estimates of the present value of future cash flows that are expected to arise as the Branch fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin. The Branch has restated comparative information applying the transitional provisions to IFRS 17.

The Branches will follow General Measurement Model ("GMM") for reinsurance and Variable Fees Approach ("VFA") for with-profit traditional insurance products. VFA calculations differ from GMM because of the underlying assets, the variable fee being received and the recognition of Contractual Service Margin CSM accretion. For VFA and GMM the Branch would consider the present value of all the future premiums and incomes and reduce it by the present value of future expenses and expected obligations. The result would be adjusted for risk adjustment to judge the profitability of the contract.

The cash inflows would include the premiums and commissions received whereas the cash outflows would constitute directly attributable expenses, commissions paid, claims, outstanding, incurred but not reported claims and risk adjustments.

3.5.1 Level of Aggregation

The 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 must be determined.

The conventional participating products of SLIC are categorized in the following product categories.

- Whole Life
- Endowment
- Anticipated Endowment

However, these three product lines have similar risk in the form of survival and protection component. All these product lines have similar risks and can be managed together as per para 14 of the standard. The final decision is to use a single grouping for all products.

3.5.2 Cohorts (Underwriting Year)

The Branch have made the decision to adopt the Fair Value Approach (FVA) during the transition period. As part of this approach, all active contracts at the transition date will be consolidated into a single cohort. Subsequently, all new contracts issued after the transition date will be allocated to yearly cohorts based on calendar years. Under this arrangement, cohorts will be established on an annual basis, with contracts issued within each calendar year being bundled together as an underwriting year cohort.

3.5.3 Measurement Models

General Measurement Model ("GMM")

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach ("PAA") is not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprise of certain components (such as claims, expenses and profits) and that each component needs to be considered according to its nature.

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

3 Material accounting policies (continued)

3.5 Insurance contracts (continued)

3.5.3 Measurement Models (continued)

Variable Fees Approach (“VFA”)

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 the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- 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 Branch has opted to implement the VFA (Variable Fee Approach) model for its gross portfolio, while the GMM (General Measurement Model) will be used for the Reinsurance portfolio. To ensure the suitability of the VFA model, the Branch has undertaken both qualitative and quantitative eligibility testing. By conducting these tests, the Branch ensures that the VFA model is appropriate for the gross portfolio, taking into account the specific characteristics and requirements of the contracts involved. The qualitative testing evaluates factors such as the nature of the contracts, the fee structure, and the expected cash flows. Meanwhile, the quantitative testing involves assessing the compliance of the contracts with the eligibility criteria outlined in the applicable accounting standards. Through this comprehensive evaluation and documentation process, the Branches ensures the proper selection and application of the VFA model, facilitating accurate and compliant reporting of the gross portfolio. Additionally, the decision to utilize the GMM for the Reinsurance portfolio acknowledges the specific considerations and requirements associated with reinsurance contracts.

The Branches maintains a distinct policyholder fund for its UAE life insurance liability contracts. The value of the fund fluctuates with the policy cashflows during the respective reporting period, the assets backing the fund include investments classified at amortized cost under IFRS 9.

The movement in carrying values of this fund has been used as the basis for underlying items for applying the Variable Fee Approach.

3.5.4 Insurance Contract Liability

The components of the liability for each group of contracts are calculated at each reporting period for all groups. The following components are calculated for the Gross side:

Liability for Remaining Coverage (LRC): This represents the liability for the remaining coverage period of the contracts.

Gross Best Estimate Liability for LRC: It denotes the best estimate of the liability for the remaining coverage period based on the anticipated cash flows and expected future events.

Gross Non-Financial Risk Adjustment for LRC: This component accounts for the non-financial risks associated with the remaining coverage period.

Gross Contractual Service Margin (CSM): It represents the unearned profit from future contract services, taking into account the progress of services provided.

Liability for Incurred Claims (LIC): This component represents the liability for claims that have already been incurred.

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

3 Material accounting policies (continued)

3.5 Insurance contracts (continued)

3.5.4 Insurance Contract Liability (continued)

Gross Best Estimate Liability for LIC: It denotes the best estimate of the liability for incurred claims based on expected claim payments and other factors.

Gross Non-Financial Risk Adjustment for LIC: This component accounts for the non-financial risks associated with incurred claims.

Similarly, on the Reinsurance side, the following components are calculated:

RI Liability for Remaining Coverage (LRC)

RI Best Estimate Liability for LRC

RI Non-Financial Risk Adjustment for LRC

RI Contractual Service Margin (CSM)

RI Liability for Incurred Claims (LIC)

RI Best Estimate Liability for LIC

RI Non-Financial Risk Adjustment for LIC

These components allow for a comprehensive evaluation of the liabilities associated with each group of contracts, considering both the remaining coverage period and incurred claims.

The best estimate liability for the Branch is calculated as a net estimate of expected inflows and outflows throughout the lifetime of the contracts, considering the contract boundaries. These estimates are then discounted using the relevant applicable discount rate. In the Branch's cash flow model, the following inflows and outflows are incorporated as expected:

Inflows:

Premiums

Investment Income

Outflows:

Commissions

Other acquisition expenses

Attributable admin expenses

Surrender Claims

Death Claims

Maturity Claims

Bonuses

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.

The Branch has adopted the Value at Risk (VaR) approach since it is already applying the framework of Solvency Capital Requirement (SCR) as per the UAE regulations. The UAE regulatory e-form framework include all the non-financial risks including mortality, longevity, morbidity, and lapses. The solvency capital requirement (SCR) under UAE eforms is intended to be the value at which the probability of getting a worse result is 0.05% (1- 99.5%). This is because, as per regulatory guidelines laid by the Central Bank of UAE, SCR shall correspond to the VaR with the confidence level of 99.5%.

Diversification benefit refers to the reduction in overall risk that occurs when an insurance Branch holds a portfolio of contracts with different risk profiles. The branch does not hold significant multi risk portfolios; therefore, it does not apply in this case. Risk Adjustment is calculated at the Branch level by calibrating the capital required for non-financial risk at various percentiles assuming normal distribution. Based on discussions with Management, 70th percentile was agreed for the purpose of Risk Adjustment.

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

3 Material accounting policies (continued)

3.5 Insurance contracts (continued)

3.5.5. Discounting

The IFRS 17 standard defines discounting as an adjustment to the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows.

Discounting adjusts future cash flows to reflect the time value of money. Thus, the key requirements of discount rates are that they:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
- Are consistent with observable current market prices.
- Exclude the effects of factors that affect observable market prices used in determining the discount rate, but do not affect the future cash flows of the insurance contract.

SLIC portfolio is composed of long term with profit traditional individual life business. All products have similar risk and are managed together having a defined pool of underlying fund making the contracts eligible to be measured under VFA model.

The standard requires that for direct participating portfolio the applied discount rate shall have characteristics of the underlying items.

As per paragraph B74(b)

Cashflows that vary based on the return on any financial underlying items shall be:

- Discounted using rate that reflect that variability; or
- Adjusted for the effect of that variability and discounted at a rate that reflects the adjustment made.

The SLIC has worked out the current annual rate of return on the underlying asset portfolio and adjusted the same for related credit risk premium. The credit risk adjusted interest rate reflects the expected characteristics of the underlying items and contractual nature of the related insurance contracts as both investment instruments and contractual obligations are long term in nature.

In order to work out the long term discount curve the risk free curve has been adjusted for the illiquidity premium derived from the underlying portfolio reflecting the variability of the underlying items with regards to investment performance.

3.5.6 Contractual Service Margin (“CSM”)

Contractual Service Margin (CSM) represents the unearned profit the entity will recognize as it provides insurance contract services in the future. At initial recognition CSM is computed using the Fair Value Approach. The CSM is calculated as the difference between what a market participant would demand as at the transition date to assume the unexpired risk in the group of contracts, including how much profit it would require, and the fulfilment cash flows of that group measured under the general principles of IFRS 17.

3.5.7 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 VFA this liability is implicitly included in the FCFs for LRC.

The Branches has used the fair value approach (“FVA”): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

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

3 Material accounting policies (continued)

3.5 Insurance contracts (continued)

3.5.8 Other Key Accounting Policy Choices

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

Accounting Policy	Branches Decision
Discounting LIC	The Branches does not discount the LIC cashflows as majority of the claims are settled within a year from the date of intimation.
Interest Accretion – OCI Option	The standard allows that finance expense can be split between OCI, and P&L. Branches aims to reflect the entire finance expense in the P&L and plans not split between OCI and P&L.
Treatment of Policy Loans	The practice of recording policy loans as a non-insurance component and treating it as a separate financial asset item will be continued. This would mean that the policy loan will not be part of cashflows prepared for IFRS 17.
Insurance	<p>The receivables and payables have been categorized into two segments based on their relation to either future coverage or past services. The amounts payable or receivable that are associated with past services have been included in the Liability for Incurred Claims component. On the other hand, those receivables or payables that pertain to future services have been adjusted within the Liability for Remaining Coverage.</p> <p>Additionally, the receivables and payables have been further classified based on whether they are associated with gross coverage or reinsurance coverage. These classifications have led to adjustments in the respective liability components accordingly. By segregating and appropriately adjusting these amounts, the Branch ensures that the liabilities accurately reflect the obligations related to both past and future services, as well as the distinctions between gross coverage and reinsurance coverage.</p>
Treatment of Allocated Bonuses	<p>The guaranteed bonuses that have already been assigned at the reporting date are considered as the initial bonus amount and are included in subsequent anticipated claim payouts, encompassing surrender, death, and maturity benefits. However, a separate provision is held as a component of TVoG to ensure the adequacy of reserves in meeting obligations related to guaranteed bonuses in situations where the future investment returns fall short of expectations according to fulfillment cashflows.</p> <p>The assigned guaranteed bonuses have been integrated as opening bonuses and accounted for in the future expected payouts to policyholders. The future bonuses are solely dependent on the performance of the funds, with assumptions based on current estimates. However, the already allocated bonuses are guaranteed by the Branch,</p> <p>To account for any unfavorable situations, the Branch has decided to maintain an additional provision to cover the obligations in cases where the actual fund performance falls below the expected level.</p>
Treatment of Unallocated Carried Forward Surplus	The carried forward surplus is held under the assumption that this portion will ultimately be distributed to the policyholders during the lifetime of their policies. Accordingly, it has been projected as part of the Best Estimate Liability (BEL).

3 Material accounting policies (continued)

3.5 Insurance contracts (continued)

3.5.9 VARIABLE FEE APPROACH INPUT – IFRS 17

The Branches maintains a distinct Policyholder Fund (the “Fund”) for its UAE life insurance liability contracts. The value of the Fund fluctuates with the policy cashflows during the respective reporting period, the assets backing the Fund include investments classified at amortized cost under IFRS 9.

The movement in carrying values of the Fund has been used as the basis for underlying items for applying the Variable Fee Approach under IFRS 17.

The Branches have deviated from the requirements of IFRS 17 by utilizing book values of underlying items rather than fair values. The Management of the Branch assets that utilizing book values provides a more accurate representation of the Branches' financial position, given the specific nature of the underlying items and their inherent characteristics. The Management contends that fair value measurements may not appropriately capture the economic substance of these items, leading to potential distortions in the financial statements.

3.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Branches.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3.7 Foreign currency

The transactions in currencies other than the Branches' functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. The non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.8 Employees' defined benefit liabilities

Termination benefits for non-UAE Nationals

For Branches domiciled in the U.A.E, provision for staff terminal benefits is made in accordance to the U.A.E Federal Labour Law and is determined as the liability that would arise if the employment of all staff were to be terminated at the reporting date.

An actuarial valuation is not performed on staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

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

3 Material accounting policies (continued)

3.9 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

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 Branches and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets.

	Years
Furniture and fixtures	10
Office equipment	10
Motor vehicles	5
Computer equipment	3

3.10 Lease

The Branches leases offices. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Branches assess whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branches assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- it has the right to direct the use of the asset.

The Branches as lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Entity. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Lease liabilities include the net present value of the following lease payments:

3 Material accounting policies (continued)

3.10 Lease (continued)

The Branches as lessee (continued)

- fixed payments (including in-substance fixed payments), less any lease incentive receivables;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and
- restoration costs.

They are subsequently measured at cost less accumulated depreciation and impairment losses

Whenever the Branches incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated using straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The right-of-use assets are presented as a separate line in the statement of financial position.

3.11 Impairment of tangible assets

At the end of each reporting period, the Branches review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Branches estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

3 Material accounting policies (continued)

3.11 Impairment of tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

3.12 Provisions

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

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

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

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Branches becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.14 Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial instruments that meet the following conditions are measured subsequently at amortized cost:

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

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

3 Material accounting policies (continued)

3.14 Financial assets (continued)

Financial instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Branches recognize a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Impairment of financial assets

The Branches always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Branches' historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Branches recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Branches measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Write-off policy

The Branches writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Branches' recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Branches derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Branches neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branches recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branches retain substantially all the risks and rewards of ownership of a transferred financial asset, the Branches continue to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3 Material accounting policies (continued)

3.14 Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity was recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Branches retain an option to repurchase part of a transferred asset), the Branches allocate the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that was no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income was allocated between the part that continues to be recognized and the part that was no longer recognized on the basis of the relative fair values of those parts.

3.15 Financial liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an Branches after deducting all of its liabilities. Equity instruments issued by the Branches are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Branches, are measured in accordance with the specific accounting policies set out below.

Loans and borrowings

Loans and borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for- trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

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

3 Material accounting policies (continued)

3.15 Financial liabilities (continued)

Derecognition of financial liabilities

The Branches derecognize financial liabilities when, and only when, the Branches' obligation are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Branches exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Branches account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

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 offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4 Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgments in applying accounting policies

Estimates of future cash flows to fulfill insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17, are all future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows which includes the expected premium receipts and ultimate cost of claims. The ultimate cost of claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a Branches 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. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (e.g., to reflect one-off occurrences 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. The Branches also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Critical judgments in applying accounting policies (continued)

Assessment of significance of insurance risk

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

Risk adjustment

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

The Branches has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Branches has assessed its indifference to uncertainty to produce lines as an indication of the compensation that it requires for bearing non-financial risk as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Branches 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.

Onerous groups

The Branches uses significant judgement to determine at what level of granularity the Branches has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract

Discounting

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

Discount rate applied for discounting of future cash flows are discounted using discount curve over the lifetime of policy.

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

Business model assessment - classification and measurement of financial assets

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Entity 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 Branches monitors financial assets measured at amortised cost 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 Branches' 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.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Critical judgments in applying accounting policies (continued)

Useful lives of property and equipment

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the financial statements.

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000')

5 Property and equipment

	Furniture and fixtures	Office equipment	Motor Vehicles	Computer equipment	Total
Cost					
As at January 1, 2024	357	122	197	267	943
Additions during the year	20	6	-	6	32
As at December 31, 2024	377	128	197	273	975
Additions during the year	9	39	-	5	53
As at December 31, 2025	386	167	197	278	1,028
Accumulated depreciation					
As at January 1, 2024	339	114	197	261	911
Charge for the year	5	3	-	3	11
As at December 31, 2024	344	117	197	264	922
Charge for the year	6	3	-	4	13
As at December 31, 2025	350	120	197	268	935
Carrying value as at December 31, 2025	36	47	-	10	93
Carrying value as at December 31, 2024	33	11	-	9	53

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000')

6 Insurance and reinsurance contracts

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

The roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and liability for incurred claims, is disclosed in following table.

Reconciliation of the measurement components of insurance and reinsurance contract balances as of December 31, 2025:

	LFC RA	LFC BE	Time value of guarantee	Best Estimate Liability	Risk adjustment	CSM	Adjustment*	Total
Insurance contract liabilities as at January 1, 2025	543	9,869	7,869	345,842	19,129	8,918	72	392,242
Insurance contract assets as at January 1, 2025	-	-	-	(1,700)	-	(196)	-	(1,896)
Net balance as at January 1, 2025	543	9,869	7,869	344,142	19,129	8,722	72	390,346
Insurance related assets								
Changes related to current service	-	33,409	-	(35,788)	(653)	(689)	-	(3,721)
Changes related to future service	-	-	(1,175)	1,417	1,989	162	-	2,393
Changes related to past service	(57)	(296)	-	-	-	-	-	(353)
Insurance service expense from change in liabilities	(57)	(296)	(1,175)	1,417	1,989	162	-	2,040
Insurance service result total	57	(33,113)	1,175	34,371	(1,336)	528	-	1,681
Insurance finance expense recognized in profit or loss	18	337	-	19,588	4	(9)	-	19,948
Cash flows								
Premiums received	-	-	-	47,608	-	-	-	47,608
Claims excl. non-distinct investment component paid	-	86	-	-	-	-	-	86
Non-distinct investment component paid	-	(29,925)	-	-	-	-	-	(29,925)
Directly attributable expenses paid	-	(3,571)	-	-	-	-	-	(3,571)
Insurance acquisition cash flows	-	-	-	(5,653)	-	-	-	(5,653)
Total cash flows	-	(33,410)	-	41,955	-	-	-	8,545
Insurance contract liabilities as at December 31, 2025	634	11,536	6,694	371,567	20,469	8,461	(16)	419,365
Insurance contract assets as at December 31, 2025	(130)	(1,628)	-	(263)	-	(275)	-	(2,296)
Net balance as at December 31, 2025	504	9,908	6,694	371,324	20,469	8,186	(16)	417,069

*Adjustment include accumulated profits since implementation of IFRS 17, the share of surplus attributable to head office, and the transfer of a portion of the reinsurance contract liability to the reinsurance risk reserve

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

6 Insurance and reinsurance contracts (continued)

6.1a Details of Profit and Loss

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

Reconciliation of the measurement components of insurance contract balances.

6.1b Analysis of revenue

		For the year ended 31 December 2025
		With profits
Insurance issued	Experience adjustment	3,319
	Expected claims excluding loss component	27,874
	Expected expenses excluding loss component	5,154
	CSM released in profit or loss	696
	Risk adjustment released excluding loss component	651
	Insurance service revenue insurance issued	37,694
Reinsurance held	Experience Adjustment	188
	Expected claims excluding loss component	(702)
	Expected expenses excluding loss component	(46)
	CSM released in profit or loss	(7)
	Risk adjustment released excluding loss component	2
	Insurance service revenue reinsurance held	(565)
	Insurance service revenue total	37,129
Insurance issued	Incurred claims	30,131
	Incurred expenses	3,571
	Loss on onerous contracts and reversal of these losses	2,393
	Changes related to LIC	1,406
		Insurance service expense insurance issued
Reinsurance issued	Incurred Claims	(293)
	Changes related to LIC	(1,760)
		(2,053)
Total result	Insurance service result insurance issued	193
	Insurance service result reinsurance held	1,488
	Insurance service result total	1,681

6.1c Explanation of Insurance Finance Income or Expenses

Realized gains / losses	
Unrealized gains/losses other	19,736
Insurance Finance Revenue	19,736
Interest on RA	2
Interest on CSM (for GMM only)	(7)
Change in financial risk (for GMM only & if OCI not applied)	(138)
Interest on LFIC	355
Insurance Finance Expense	19,948

State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

6 Insurance and reinsurance contracts (continued)

6.1d *Recognition of the Contractual Service Margin*

<u>Expected recognition of the CSM (CSM run-off):</u>	With profits
Projected CSM Release in Year 1	510
Projected CSM Release in Year 2	911
Projected CSM Release in Year 3	685
Projected CSM Release in Year 4	507
Projected CSM Release in Year 5	364
Projected CSM Release in Years 6-10	1,017
Projected CSM Release in Years 11-15	527
Projected CSM Release in Years 16-20	3,579
Projected CSM Release After	86

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

6 Insurance and reinsurance contracts (continued)
6.2 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and liability for incurred claims.

The roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and liability for incurred claims, is disclosed in following table.

Reconciliation of the measurement components of insurance and reinsurance contract balances as of December 31, 2024.

	LFIC RA	LFIC BE	Time value of guarantee	Best Estimate Liability	Risk adjustment	CSM	Adjustment*	Total
Insurance contract liabilities as at January 1, 2024	497	9,028	4,490	322,933	17,825	9,181	-	363,954
Insurance contract assets as at January 1, 2024	-	-	-	(639)	-	(131)	-	(970)
Net balance as at January 1, 2024	497	9,028	4,490	322,094	17,825	9,050	-	362,984
Insurance related assets	-	-	-	-	-	-	-	-
Changes related to current service	-	27,092	-	(32,023)	(1,005)	(878)	-	(6,814)
Changes related to future service	-	-	3,379	(1,870)	2,308	554	-	4,371
Changes related to past service	18	332	-	-	-	-	-	350
Insurance service expense from change in liabilities	(18)	(27,424)	(3,379)	33,893	(1,303)	324	-	2,093
Insurance finance expense recognized in profit or loss	28	509	-	19,779	1	(4)	-	20,313
Cash flows	-	-	-	-	-	-	-	-
Premiums received	-	-	-	40,500	-	-	-	40,500
Claims excl. non-distinct investment component paid	-	(24,137)	-	-	-	-	-	(24,137)
Non-distinct investment component paid	-	-	-	-	-	-	-	-
Directly attributable expenses paid	-	(2,955)	-	-	-	-	-	(2,955)
Insurance acquisition cash flows	-	-	-	(4,339)	-	-	-	(4,339)
Total cash flows	-	(27,092)	-	36,161	-	-	-	9,069
Insurance contract liabilities as at December 31, 2024	543	9,869	7,869	345,841	19,129	8,918	72	392,241
Insurance contract assets as at December 31, 2024	-	-	-	(1,700)	-	(196)	-	(1,896)
Net balance as at December 31, 2024	543	9,869	7,869	344,141	19,129	8,722	72	390,345

*Adjustment include accumulated profits since implementation of IFRS 17, the share of surplus attributable to head office, and the transfer of a portion of the reinsurance contract liability to the reinsurance risk reserve

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
7 Statutory deposits		
Statutory deposits	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

Statutory deposit held with a local bank in United Arab Emirates represents deposits held under a lien in favour of Central Bank of the U.A.E. in accordance with the Federal Decree Law No. (6) of 2025 Regulating Insurance Activities issued by the Central Bank of the U.A.E. The deposit cannot be withdrawn without prior approval from Central Bank of the U.A.E. The deposits carries interest rate of 3.9% per annum.

8 Loans guaranteed by life insurance policies

Cash loans	14,063	12,204
Automatic non-forfeiture provisions	7,114	6,374
	<u>21,177</u>	<u>18,578</u>

The interest on policy holder's loan is 8% per annum (2024: 8% per annum)

9 Investments carried at amortized cost

UAE government bonds	457,816	360,303
Pakistan government bonds	32,126	109,810
Bonds issued by other A rated countries	82,850	11,933
	<u>572,792</u>	<u>482,046</u>
Allowances for expected credit loss	(255)	(653)
	<u>572,537</u>	<u>481,393</u>

The interest on above bonds is ranging from 1.75% per annum to 8.25% per annum.

Movement during the year

Balance at the beginning of the year	482,046	420,373
Additions during the year	204,708	194,778
Premium and amortization during the year - net	1,130	3,419
Maturity during the year	(115,092)	(136,524)
Balance at the end of the year	<u>572,792</u>	<u>482,046</u>

Some of the above investments were pledged to the Bank (Note no. 18)

10 Investments carried at fair value through profit or loss

Bonds issued by A rated countries

US treasury bonds	24,474	23,455
Allowances for expected credit loss	(3)	(3)
	<u>24,471</u>	<u>23,452</u>

The interest on above bonds is ranging from 1.125% per annum to 2% per annum.

Movement during the year

Balance at the beginning of the year	23,455	-
Additions during the year	-	25,726
Gains/ (loss) during the year	1,019	(2,271)
Balance at the end of the year	<u>24,474</u>	<u>23,455</u>

Some of the above investments were pledged to the Bank (Note no. 18)

11 Fixed deposits

Fixed deposits	11,545	100,793
	<u>11,545</u>	<u>100,793</u>

Management has concluded that the expected credit loss for all fixed deposits is immaterial as these balances are held with banks whose credit risk rating by international rating agencies has been assessed as low.

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

	December 31, 2025	December 31, 2024
12 Cash and bank balances		
Cash at banks	15,829	5,744
	<u>15,829</u>	<u>5,744</u>
Balances with bank are assessed to have low credit risk of default since these banks are highly regulated by the central bank of the United Arab Emirates. None of the balances with banks at the end of the reporting year are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Branches has assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.		
13 Employees' end of service benefits		
Balance at the beginning of the year	737	619
Add: charge for the year	92	118
Less: paid during the year	(30)	-
Balance at the end of the year	<u>799</u>	<u>737</u>
Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting year.		
14 Reinsurance risk reserves		
In accordance with article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, Concerning instructions organising reinsurance operations, an amount equal to 0.5% of total reinsurance premium ceded during the year was transferred to reinsurance reserve. This reserve will be accumulated year after year and will not be disbursed without prior approval from Central Bank of U.A.E.		
15 Other current liabilities		
Accruals and other payables	1,022	1,028
Corporate tax payable	18	15
Amounts due to agents	1,967	1,535
	<u>3,007</u>	<u>2,578</u>
	For the year ended 31 December 2025	For the year ended 31 December 2024
16 Insurance service result		
Insurance revenue	37,694	34,306
Insurance service expenses	(37,501)	(32,010)
Net expenses from reinsurance contracts held	1,488	(203)
	<u>1,681</u>	<u>2,093</u>
17 Income from investments		
Interest on bank deposits	4,663	9,520
Interest on government securities and other bonds	22,176	20,840
Interest on policy loans	1,267	1,082
Interest on late payment of premium	466	407
Amortization and other adjustments	2,548	3,418
Other Interest income	-	(2,270)
Bank guarantee fees	(250)	-
	<u>30,870</u>	<u>32,997</u>
Less: allocation of income to other Gulf Countries	(11,134)	(13,197)
	<u>19,736</u>	<u>19,800</u>

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

	For the year ended 31 December 2025	For the year ended 31 December 2024
18 Corporate tax expense		
Corporate tax expense recognised in profit or loss		
Current tax		
Provision for tax	<u>2</u>	<u>15</u>
Deferred tax		
In respect of the current period	<u>-</u>	<u>-</u>
Deferred tax reclassified from equity to profit or loss	<u>2</u>	<u>15</u>

	For the year ended 31 December 2025	For the year ended 31 December 2024
Reconciliation of Effective Tax Rate:		
Profit before tax	<u>401</u>	<u>544</u>
	<u>401</u>	<u>544</u>
Tax liability using Branches' domestic tax rate (9% on taxable income above AED 375)	<u>2</u>	<u>15</u>
	<u>2</u>	<u>15</u>

18a. With respect to U.A.E. Corporate Tax, based on the assessment, carried out by the management, the Branches have a corporate tax liability for the current year. Accordingly, a provision for the corporate tax has been recognized in the books of accounts.

18b. There is no material deferred tax charge or credit recognized towards deferred tax assets or liability as there are no material temporary differences between tax books and corporate books.

19 Capital risk management

The Branches' objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.
- to safeguard the Branches' ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to Policyholders by pricing insurance contracts commensurately with the level of risk.

The table below summarises the minimum required capital of the Branches' and the total capital held

	December 31, 2025	December 31, 2024
Total equity held	<u>240,437</u>	<u>250,886</u>
Minimum regulatory capital	<u>100,000</u>	<u>100,000</u>

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 Branches' are subject to the Regulations which has been complied with during the year. The Branches' have incorporated in its' policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations.

The table below summarizes the minimum capital requirements, minimum Guarantee Funds and Solvency Capital requirement of the Branches and total capital held to meet these margins as defined in the regulations. In accordance with Circular No. CBUAE/BSN/2022/923 of CBUAE dated February 28, 2022, the Branches have disclosed the solvency position for the year ended December 31, 2025.

	December 31, 2025	December 31, 2024
Minimum Capital Requirement (MCR)	<u>100,000</u>	<u>100,000</u>
Solvency Capital Requirements (SCR)	<u>123,165</u>	<u>115,003</u>
Minimum Guarantee Fund (MGF)	<u>41,055</u>	<u>38,334</u>
Basic Own Funds	<u>257,572</u>	<u>244,524</u>
MCR Solvency Margin - Surplus	<u>157,572</u>	<u>144,524</u>
SCR Solvency Margin - Surplus	<u>134,408</u>	<u>129,521</u>
MGF Solvency Margin - Surplus	<u>216,517</u>	<u>206,190</u>

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
20 Contingent liabilities		
Letter of guarantee (Branches)	<u>4,250</u>	<u>4,350</u>

The Branches have pledged investment portfolio to obtain an irrevocable bank guarantee of AED 100,000,000 from Standard Chartered Bank Limited, in favor of the Central Bank of the United Arab Emirates (CBUAE).

The Branches are subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

Except for the above, and ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Branches financial statements as of reporting date.

21 Events after the reporting period

Subsequent to the year end, in light of the geopolitical conditions, the management has assessed that the Branches' core operations continue without any material interruption and that the Branches remains financially sound. The Branches also continues to adhere to prudent governance standards, disciplined risk management practices, and full compliance with all applicable regulatory requirements. The management confirms that as at the date of approval of these financial statements, no material financial impact has resulted from this incident.

**State Life Insurance Corporation of Pakistan - U.A.E. Branches
Dubai, United Arab Emirates**

**Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)**

22 Financial instruments

a) Material accounting policies

Details of the material 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 and financial liability are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Financial assets amortized cost (AED)	Financial liabilities amortized cost (AED)
December 31, 2025		
Statutory deposits	4,000	-
Other receivables	656	-
Fixed deposits	11,545	-
Cash and bank balances	15,829	-
Other current liabilities	-	3,007
	32,030	3,007
	Financial assets amortized cost (AED)	Financial liabilities amortized cost (AED)
December 31, 2024		
Statutory deposits	4,000	-
Other receivables	456	-
Fixed deposits	100,793	-
Cash and bank balances	5,744	-
Other current liabilities	-	2,578
	110,993	2,578

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

a). The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.

b). The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Branches takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

23 Financial risk management objectives

The Branches' management set out the Branches' overall business strategies and its risk management philosophy. The Branches' overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Branches. The management carries out overall financial risk management covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and investing excess cash.

There has been no change to the Branches' exposure to these financial risks or the manner in which it manages and measures the risk.

The Branches are exposed to the following risks related to financial instruments. The Branches have not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Branches do not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

a) Foreign currency risk management

The Branches does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in Arab Emirates Dirham.

b) Interest risk

Interest risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at the reporting date, there is no significant interest rate risk as there are no borrowings at year end.

c) Market risk

The Branches' activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Branches' exposure to market risks or the manner in which it manages and measures the risk.

d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Branches. As at 31 December 2024, the Branches' maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Branches due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Branches arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the Branches has tasked its management to develop and maintain the Branches' credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, management uses other publicly available financial information and the Branches' own trading records to rate its major customers and other debtors. The Branches' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

e) Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the management which has built an appropriate liquidity risk management framework for the management of the Branches' short, medium and long-term funding and liquidity management requirements. The Branches manage liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Branches have access to interest free funds from its Head Office at its disposal to further reduce liquidity risk.

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

23 Financial risk management objectives (continued)

e) Liquidity risk management (continued)

Liquidity and interest risk tables:

The table below summarises the maturity profile of the Branches' financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were as follows:

Particulars	Interest bearing			Non-Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
As at December 31, 2025							
Financial assets							
Statutory deposits	-	-	4,000	-	-	-	4,000
Other receivables	-	-	-	-	656	-	656
Fixed deposits	-	-	11,545	-	-	-	11,545
Cash and bank balances	-	-	-	15,829	-	-	15,829
	-	-	15,545	15,829	656	-	32,030
Financial liabilities							
Other current liabilities	-	-	-	-	3,007	-	3,007
	-	-	-	-	3,007	-	3,007
As at December 31, 2024							
Financial assets							
Statutory deposits	-	-	4,000	-	-	-	4,000
Other receivables	-	-	-	-	456	-	456
Fixed deposits	-	-	100,793	-	-	-	100,793
Cash and bank balances	-	-	-	5,744	-	-	5,744
	-	-	104,793	5,744	456	-	110,993
Financial liabilities							
Other current liabilities	-	-	-	-	2,578	-	2,578
	-	-	-	-	2,578	-	2,578

Notes to the financial statements for the year ended December 31, 2025
In Arab Emirates Dirham ('000)

24 Segment Information

An operating segment is a component of the Branches that engages in business activities from which the Branches may earn revenues and incur expenses and whose operating results are reviewed regularly by the Branches' chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available.

Accordingly, the Branches operate two main business segments: Underwriting and Investments.

Underwriting segment is further defined as Life Insurance. Investments segment comprises Investments in fixed deposits and bonds.

	As at December 31, 2025			As at December 31, 2024		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue (Note 19.1)	47,196	19,736	66,932	40,442	19,800	60,242
Segment results	(14,086)	19,736	5,650	(15,006)	19,800	4,794
<i>Unallocated:</i>						
Other income			-			-
General and administrative expenses			(4,874)			(4,331)
Net profit for the period			776			463
Segment assets	42,550	597,008	639,558	38,894	504,845	543,739
Unallocated assets	-	-	31,374	-	-	110,537
Total assets	42,550		670,932			654,276
Segment liabilities	430,479	-	430,479	403,376	-	403,376
Total liabilities	430,479		430,479			403,376

24.1 Segment revenue - Gross written premium

Details relating to Gross written premium are given below to comply with the requirements of Central Bank of the U.A.E. and are not calculated as per requirements of IFRS 17.

Particulars	Life insurance	Fund accumulation	Medical insurance	Property and liability	All types of business
	December 31, 2025				
Direct written premium	47,196	-	-	-	47,196
Assumed business:					
Foreign	-	-	-	-	-
Local	-	-	-	-	-
Total assumed business	-	-	-	-	-
Gross written premium	47,196	-	-	-	47,196
December 31, 2024					
Direct written premium	40,442	-	-	-	40,442
Assumed business:					
Foreign	-	-	-	-	-
Local	-	-	-	-	-
Total assumed business	-	-	-	-	-
Gross written premium	40,442	-	-	-	40,442