

Financial statements and independent auditors' report
Life Insurance Corporation (International) B.S.C. (c)
For the year ended 31 December 2025

Life Insurance Corporation (International) B.S.C. (c)

Financial statements for the year ended 31 December 2025

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Life Insurance Corporation (International) B.S.C. (c)

Financial statements for the year ended 31 December 2025

General information

Commercial registrations number	:	21606-1 obtained on 20 July 1989 21606-2 obtained on 4 July 2024
Chairman	:	Mr. R. Doraiswamy (from 06.11.2025) Mr. Siddhartha Mohanty (up to 7.6.2025)
Deputy chairman	:	Mr. Dinesh Pant (from 21.08.2025) Mr. M. Jagannath (up to 30.05.2025)
Directors	:	Mr. V. Chandrasekaran Mrs. Mini Ipe Mr. Debashis Prasad Pattanaik Mr. Abdulrahman Ali Alwazzan (up to 27.02.2025)
Audit committee	:	Mr. V. Chandrasekaran Mr. Dinesh Pant (from 21.08.2025) Mr. M. Jagannath (up to 30.05.2025) Mrs. Mini Ipe Mr. Abdulrahman Ali Alwazzan (up to 27.02.2025)
Registered office	:	1st Floor, Ali Al-Wazzan Building Al-Khalifa Avenue P.O. Box 584 Manama, Kingdom of Bahrain
Bankers	:	Abu Dhabi Commercial Bank, UAE Bank Muscat, Oman Bank of Bahrain and Kuwait, Bahrain Bank of Baroda, UAE Bank of Singapore, Singapore Berenberg Bank, Germany Burgan Bank, Kuwait Deutsche Bank, Mumbai, India Doha Bank, Qatar Emirates National Bank of Dubai, UAE First Abu Dhabi Bank, UAE HDFC Bank, Bahrain HSBC Bank, Luxemburg ICICI Bank, Bahrain J. Safra Sarasin Bank, Geneva, Switzerland Julius Baer, Singapore Mashreq Bank, UAE National Bank of Bahrain, Bahrain RAK Bank, UAE State Bank of India, Bahrain State Bank of India, Oman SICO Bank, Bahrain
Auditors	:	BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

Life Insurance Corporation (International) B.S.C. (c)

Directors' report to the shareholders

We have the pleasure in presenting the 36th Annual report and financial statements of Life Insurance Corporation (International) B.S.C. (c) (the "Company") for the financial year ended 31 December 2025.

New Business

In the year 2025, the Company has issued 1365 new policies with a Sum Assured of BD 18.65 Mn (USD 49.33 Mn).

Total Shareholders' Equity

Due to strong performance by the company during the year, the total shareholders' equity as at 31st December 2025 increased to BD118.01 Mn from BD 111.01 Mn as at 31 December 2024.

Policy Servicing

During the year 2025, an amount of BD 57.42 Mn (USD 151.91Mn) has been paid to policyholders by way of gross claims including surrenders as against BD 140.14 Mn (USD 370.74 Mn) during the year 2024.

Valuation

The Appointed Actuary has carried out the valuation of the Company's actuarial liabilities as at 31 December 2025. The valuation results and underlying assumptions have also been independently peer reviewed by another qualified actuary. Based on the recommendations of the Appointed Actuary, bonus rates are proposed for participating policies that were in force for the full sum assured as at 31 December 2025.

For UAE Operations:

- The Reversionary Bonus is proposed to be reduced by USD 1 per USD 1,000 Sum Assured across all participating policies.
- The Loyalty Addition and Terminal Bonus for participating policies that remain in force for the full Sum Assured and are maturing during the year 2026 are proposed to be maintained at the current levels declared last year.

For Operations other than UAE:

- The Reversionary Bonus, Loyalty Addition, and Terminal Bonus are proposed to be maintained at the current levels declared last year .

Interim bonuses are the same as the declared bonuses and apply to policies in force for full sum assured resulting into death or maturity during the year 2026.

Solvency Statement

As per actuarial valuation report, the required solvency margin works out to BD 17.25 Mn (USD 45.63 Mn). Capital available as per CBB regulations is BD 67.37 Mn (USD 178.23 Mn) which is 3.91 times of the required solvency margin. As at December 2025, the UAE branches are also meeting with solvency requirements of CBUAE.

New Products

During the year 2025, the Company has launched two new products in Bahrain; Invest Plus (Plan no. 282) and Flexi Wealth Builder (Plan no. 283).

Corporate Governance

The Company has transparent and well defined marketing and administrative systems supported by High Level Audit Committee and Risk Management Committee of the Board and an Investment Committee which are functional on well laid out norms.

As part of social commitment and self-regulations the Company participates in socially relevant projects together with focus on economy of operations.

Life Insurance Corporation (International) B.S.C. (c)

Payments made to Directors and Executive Management

The Chairman of the Board and non-executive Members of the Board are not paid any remuneration. However, independent Directors are paid an honorarium for attending Board and Committee meetings (BD 6,650 during the year 2025 compared to BD 4,500 in 2024). Remuneration to the CEO & Executive Director and other members of key management during the year 2025 was BD 175,464 as compared to BD 187,398 in 2024.

Business Continuity / Disaster Recovery Plan:

The profitability and reputation of the Company may be adversely affected if the operations (including services to customers) of the Company are confronted with adverse events such as natural disasters, technological failures, human error or terrorism. To mitigate this risk, the Company has Board approved Business Continuity Plan. The back-up of data is taken on daily basis at EoD and the same is preserved outside office premises where the server is located. The Company also has two types of Disaster Recovery Servers (DRS) viz. near site as well as far site DRS. Far site DRS is located in Dubai branch and is fully operational.

The above arrangements are to ensure the continuity of business as well as disaster recovery ("DR") in case of any unforeseen circumstances.

To ensure the readiness of the DR Servers, 2 times DR Drill were conducted during the year 2025 on near DR and 2 times on far DR setups.

Compliances

The Company has a Compliance desk which takes care of all regulatory and other compliances of the Company.

Risk management Strategies and Practices

- i) **Investment Risk:** The Investment decisions are taken by the Investment Committee based on the guidelines given by the Board of the Company. Investment proposals are routed through Risk Department for pre investment analysis. The proposals are then discussed in the Investment Committee. Approximately 94.70% of the investments are in bonds including FD's and other debt instruments and remaining 5.30% in equity and mutual funds. The investment portfolio is well diversified and the same is reviewed by the Investment Committee periodically to take corrective actions wherever required.
- ii) **Currency Risk:** Almost all the currencies in GCC are pegged to United States Dollars except Kuwait where collection are made in Kuwaiti Dinars. The final payments for Kuwait cases are paid in United States Dollars or equivalent in Kuwaiti Dinars and hence the currency risk is at the minimum. However, Indian equity investments are subject to currency risk. At present, the Company's exposure in Indian equity is 0.19% of total investments including FD's.
- iii) **Insurance Risk:** The Company has reinsurance arrangements with Swiss Re and Munich Re. As per the reinsurance treaty, the retention limit depends on Sum Assured, Age of LA and whether the life is standard or substandard. The maximum Sum at Risk retained by the Company is USD100,000. These reinsurance arrangements protect the Company from high-risk insurance contracts.

Dividend

No dividend is proposed for the year 2025.

Change in Directors

During the year 2025, changes in the Board Members were as under.

The following members has been inducted in the Board after obtaining prior approval of CBB:

Name of Member	CBB Approval Letter details	Position
Mr. R. Doraiswamy	GDC/20/2025 dated 6th Nov 2025	Chairman and Non-Executive Director
Mr. Dinesh Pant	ISD/450/2025 dated 21 st Aug 2025	Deputy Chairman and Non-Executive Director

Life Insurance Corporation (International) B.S.C. (c)

Change in Directors (continued)

The following members resigned from the Board

Name of Member	Position held	Date of Exit	Reason
Mr. Abdulrahman Ali Alwazzan	Non-executive Director	27 th Feb 2025	Health reasons
Mr. M. Jagannath	Deputy Chairman and Non-Executive Director	31 st May 2025	Superannuation
Mr. Siddhartha Mohanty	Chairman and Non-Executive Director	8 th June 2025	Superannuation

Disclosure for remuneration of members of board of directors and executive management

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
1 - Mr. V. Chandrasekaran	-	3,325	-	-	3,325	-	-	-	-	-	-	3,325	-
2 - Mrs. Mini Ipe	-	3,325	-	-	3,325	-	-	-	-	-	-	3,325	-
Second: Non-Executive Directors:													
1-Mr. R. Doraiswamy	-	-	-	-	-	-	-	-	-	-	-	-	-
2 -Mr. Sidhartha Mohanty	-	-	-	-	-	-	-	-	-	-	-	-	-
3- Mr. Dinesh Pant	-	-	-	-	-	-	-	-	-	-	-	-	-
4 - Mr. M.Jagannath	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1 - Mr. Debashis Prasad Pattanaik	-	-	25,972	-	25,972	-	-	-	-	-	2,853	28,825	-
Total	-	6,650	25,972	-	32,622	-	-	-	-	-	2,853	35,475	-

Second: Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Salaries for top six executives, including CEO and Senior Financial Officer	147,554	-	-	147,554

Life Insurance Corporation (International) B.S.C. (c)

Thank you and Appreciation

We extend our faithful respects and sincere gratitude to His Majesty the King Hamad bin Isa Al Khalifa, His Royal Highness the Crown Prince and Prime Minister, Salman bin Hamad bin Isa Al Khalifa and His Excellency the Minister of Industry and Commerce of Kingdom of Bahrain for their continued support and cooperation extended to the Company.

We also extend our sincere gratitude to Central Bank of Bahrain and Central Bank of UAE for their continuous support and guidance, all throughout our operations.

We express our sincere gratitude to the Government of India and to the Ministry of Finance (Insurance Division) in particular for their support and guidance during the year. We express our sincere gratitude for the help rendered by the Indian Embassies in Bahrain, Abu Dhabi, Sultanate of Oman, Kuwait, Qatar, Riyadh, and Indian Consulate in Dubai and Indian Embassies/Consulates in other countries in the Middle East. We look forward to their continued support to develop our operations in the region for the benefit of all nationalities.

We offer our sincere thanks to our appointed representative M/s. International Agencies Co. Ltd, Bahrain and chief agents M/s. Kingstar Insurance Agencies LLC, Dubai, M/s. Warba Insurance Co. Kuwait, and M/s Dyarco Management Services WLL in Doha and our Bancassurance partners BBK and ICICI Bank in Bahrain and ADCB in UAE. We feel happy about the mutual working relationship with them. We look forward to another year of growth and prosperity.

We offer our sincere thanks to our Appointed Actuary: Lux Actuaries & Consultants, UAE, Auditors: BDO Bahrain, M/s. Grant Thornton UAE.

We offer our grateful thanks to our esteemed Policyholders and NRI community for their confidence in the Company and all associates for their support and enthusiasm, which has been the source of tremendous motivation for the Company in augmenting its efforts in various directions.

On behalf of the Board of Directors



R. Doraiswamy
Chairman



Debashis Prasad Pattanaik
CEO & Executive Director

Manama, Kingdom of Bahrain

Independent auditor's report to the shareholders of Life Insurance Corporation (International) B.S.C. (c)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Life Insurance Corporation (International) B.S.C. (c) ("the Company"), which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of financial statements. We have 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 Company for the year ended 31 December 2024, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 March 2025.

Other information

Management is responsible for the other information. The other information consists of the information included in the Company's annual report, other than the financial statements and our auditor's report thereon. Prior to the date of this auditors' report, we obtained the Directors' report which form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance (TCWG) 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

**Independent auditor's report to the shareholders of
Life Insurance Corporation (International) B.S.C. (c) (continued)**

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

**Independent auditor's report to the shareholders of
Life Insurance Corporation (International) B.S.C. (c) (continued)**

Report on other legal and regulatory requirements

Further, as required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001 (as amended) and the Central Bank of Bahrain (CBB) Rule Book (Volume 3), we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the Directors' report is consistent with the financial statements; and
- c) satisfactory explanations and information have been provided to us by the management of the Company in response to all our requests.

In addition, the share capital of the Company is significantly eroded as at 31 December 2025 and not in line with the requirements of Article 109 and Article 244(bis) of the Bahrain Commercial Companies Law. However, the Company's net worth is positive as at 31 December 2025. Further, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rulebook (Volume 3) and the CBB directives, or the terms of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2025.



Manama, Kingdom of Bahrain
9 March 2026



Statement of financial position as at 31 December 2025

	Notes	31 December 2025 BD	31 December 2024 BD
Assets			
Intangible assets	4	3,192	16,297
Furniture and equipment	5	45,968	37,806
Right-of-use assets		-	5,133
Investments	6	460,452,628	465,760,465
Policy loans	7	4,198,516	4,447,090
Reinsurance contract assets	14	266,471	141,203
Accrued interest income	8	8,324,057	8,598,722
Prepayments and other assets	9	111,220	94,860
Statutory deposits	10	645,112	648,426
Term deposits with banks	11	11,578,128	48,238,264
Cash and cash equivalents	12	36,210,714	14,674,538
Total assets		521,836,006	542,662,604
Equity and liabilities			
Equity			
Share capital	17	65,439,300	65,439,300
Statutory reserve	18	10,235,216	9,995,155
Contingency reserve	19	232,192	232,192
Investments fair value reserve	6(b)	(594,524)	(883,497)
Insurance finance reserve		88,110,018	83,802,383
Reinsurance reserve	20	35,385	31,878
Accumulated losses		(45,447,691)	(47,604,729)
Total equity		118,009,896	111,012,682
Liabilities			
Employees' end-of-service indemnity		29,009	30,138
Lease liabilities		-	5,945
Amounts due to related parties	13	68,052	84,884
Insurance contract liabilities	14	401,971,663	429,667,626
Zakat and tax provisions	15	592,810	789,539
Other liabilities	16	1,164,576	1,071,790
Total liabilities		403,826,110	431,649,922
Total equity and liabilities		521,836,006	542,662,604

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



R. Doraiswamy
Chairman



Debashis Prasad Pattanaik
CEO & Executive Director

The accounting policies and the notes from pages 14 to 66 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2025

	Notes	Year ended 31 December 2025 BD	Year ended 31 December 2024 BD
Insurance revenue	21	7,044,083	8,038,136
Insurance service expenses		(9,598,625)	(5,096,989)
Insurance service result before reinsurance contracts held (a)		(2,554,542)	2,941,147
Allocation of reinsurance premiums	14.5	(35,437)	(115,509)
Amounts recoverable from reinsurers for incurred claims	14.5	(18,860)	106,838
Net expenses from reinsurance contracts held (b)		(54,297)	(8,671)
Insurance service result (a+b)		(2,608,839)	2,932,476
Insurance finance expenses for insurance contracts issued	22	(18,224,506)	(19,226,833)
Reinsurance finance income for reinsurance contracts held		2,807	12,433
Net insurance finance result (c)		(18,221,699)	(19,214,400)
Net financial results from insurance operations (a+b+c)		(20,830,538)	(16,281,924)
Realised income from Investments, net	23	24,124,989	23,567,106
Unrealised gain on investments at FVTPL	6	2,316,431	3,046,377
(Provision)/reversal of impairment on investment securities, net	6	(1,174,724)	399,395
Income from Investments		25,266,696	27,012,878
General and administrative expenses		(1,478,376)	(1,549,517)
Other income	24	506,447	494,048
Depreciation of right-of-use assets		(5,133)	(6,856)
Interest expenses on lease liabilities		(73)	(434)
(Provision)/ reversal of impairment on other financial assets, net		(587,902)	86,484
Profit before zakat and income tax		2,871,121	9,754,679
Zakat and Income tax expense	15	(470,515)	(552,056)
Profit for the year		2,400,606	9,202,623
Other comprehensive Income			
Items to be reclassified subsequently to profit or loss			
Fair value gain on investments at FVOCI	6	288,973	446,552
Insurance finance income for insurance contracts issued	22	4,317,932	7,765,885
Reinsurance finance expenses for reinsurance contracts held		(10,297)	(27,726)
Other comprehensive Income for the year		4,596,608	8,184,711
Total comprehensive income for the year		6,997,214	17,387,334

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



R. Doraiswamy
Chairman



Debashis Prasad Pattanaik
CEO & Executive Director

The accounting policies and the notes from pages 14 to 66 form an integral part of these financial statements.

Life Insurance Corporation (International) B.S.C. (c)

Statement of changes in equity for the year ended 31 December 2025

	Share capital	Statutory reserve	Contingency reserve	Investments			Reinsurance reserve	Accumulated losses	Total
				fair value reserve	insurance finance reserve	BD			
At 1 January 2024	65,439,300	9,074,893	232,192	(1,330,049)	76,064,224	BD	12,887	(55,868,099)	93,625,348
Net profit for the year	-	-	-	-	-	-	-	9,202,623	9,202,623
Other comprehensive income for the year	-	-	-	446,552	7,738,159	-	-	-	8,184,711
Total comprehensive income for the year	-	-	-	446,552	7,738,159	-	-	9,202,623	17,387,334
Transferred to reinsurance reserve (Note 20)	-	-	-	-	-	-	18,991	(18,991)	-
Transferred to statutory reserve (Note 18)	-	920,262	-	-	-	-	-	(920,262)	-
at 31 December 2024	65,439,300	9,995,155	232,192	(883,497)	83,802,383	BD	31,878	(47,604,729)	111,012,682

	Share capital	Statutory reserve	Contingency reserve	Investments fair value reserve	Insurance finance reserve	Reinsurance reserve	Accumulated losses	Total
At 1 January 2025	65,439,300	9,995,155	232,192	(883,497)	83,802,383	31,878	(47,604,729)	111,012,682
Net profit for the year	-	-	-	-	-	-	2,400,606	2,400,606
Other comprehensive income for the year	-	-	-	288,973	4,307,635	-	-	4,596,608
Total comprehensive income for the year	-	-	-	288,973	4,307,635	-	2,400,606	6,997,214
Transferred to reinsurance reserve (Note 20)	-	-	-	-	-	3,507	(3,507)	-
Transferred to statutory reserve (Note 18)	-	240,061	-	-	-	-	(240,061)	-
At 31 December 2025	65,439,300	10,235,216	232,192	(594,524)	88,110,018	35,385	(45,447,691)	118,009,896

The accounting policies and the notes from pages 14 to 66 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2025

	Notes	Year ended 31-Dec 2025 BD	Year ended 31-Dec 2024 BD
Operating activities			
Net profit for the year		2,400,606	9,202,623
Adjustments:			
Depreciation		10,960	4,032
Amortisation of intangible assets		13,106	13,107
Depreciation on right-of-use assets		5,133	6,856
Interest expense on lease liabilities		73	434
Unrealised gain on investments at FVTPL	6	(2,316,431)	(3,046,377)
(Gain)/loss on sale of investments	23	(953,854)	712,823
Dividend income	23	(127,529)	(132,007)
Interest income from investments and policy loans	23 & 24	(26,149,239)	(25,826,718)
Charge/(reversal) of impairment on investments, net	6	1,174,724	(399,395)
Impairment loss of impairment on other financial assets, net		22,972	8,737
Impairment loss on policy loans		20,642	7,577
Reinsurance finance expenses for reinsurance contracts held		(2,807)	(12,433)
Insurance finance expenses for insurance contracts issued	22	18,224,506	19,226,833
Amortisation of premium	6	1,124,959	1,306,999
Capitalisation of discount	6	(269,249)	(253,200)
Zakat and income tax expense	15	470,515	552,056
Loss of disposal of furniture and equipment		136	234
Operating profit before working capital changes		(6,350,777)	1,372,181
Changes in operating assets and liabilities:			
Changes in prepayments and other assets		(16,360)	34,506
Changes in policy loans		227,932	(131,163)
Changes in amounts due to related parties		(16,832)	(34,596)
Changes in insurance contract liabilities		(42,595,646)	(123,879,333)
Change in statutory deposits		2,446	86
Changes in reinsurance contract assets		(132,758)	(21,996)
Changes in zakat and tax provisions		(667,244)	(49,873)
Changes in provision for employees' end-of-service benefits		(1,129)	(11,684)
Changes in other liabilities		92,785	(595,089)
Net cash used in operating activities		(49,457,583)	(123,316,961)
Investing activities			
Purchase of furniture and equipment	5	(19,458)	(37,500)
Purchase of financial investments	6	(19,788,455)	(32,497,824)
Proceeds from disposal of investments		27,618,225	99,846,490
Additions to fixed deposits, net		36,638,032	23,117,209
Dividends received		127,529	132,007
Interest received		26,423,904	26,169,279
Net cash provided by investing activities		70,999,777	116,729,661

- continued on following page -

The accounting policies and the notes from pages 14 to 66 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2025 (continued)

	Notes	Year ended 31-Dec 2025 BD	Year ended 31-Dec 2024 BD
Financing activities			
Repayment of lease liabilities		(5,945)	(7,582)
Interest paid		(73)	(434)
Net cash used in financing activities		<u>(6,018)</u>	<u>(8,016)</u>
Net increase/(decrease) in cash and cash equivalents		21,536,176	(6,595,325)
Cash and cash equivalents at the beginning of year		14,674,538	21,269,854
Cash and cash equivalents, at the end of year	12	<u>36,210,714</u>	<u>14,674,538</u>

The accounting policies and the notes from pages 14 to 66 form an integral part of these financial statements.

1. Status and activities

1.1 Life Insurance Corporation (International) B.S.C. (c) (the "Company" or "Head Office") was formed by Life Insurance Corporation of India and The International Agencies Company Limited, Bahrain. The Company is registered with the Ministry of Industry, Commerce and Tourism under commercial registration no. 21606 and operates under a license issued by the Central Bank of Bahrain (the "CBB"). The registered address is 1st Floor, Ali Al-Wazzan Building, Al-Khalifa Avenue, P. O. Box 584, Manama, Kingdom of Bahrain.

1.2 The Company operates branch office "Life Insurance Corporation (International) B.S.C.(c) (Dubai & Abu Dhabi Branch)- UAE" in the United Arab. The principal activities of these branches are providing life insurance, group life, credit and saving insurance. The branches operating results are included as part of these financial statements.

1.3 The Company commenced its operations on 20 July 1989 and is engaged in carrying out life insurance business, mainly with Indian expatriates in the Kingdom of Bahrain and other GCC Countries. It is also engaged in conducting similar business with all nationalities resident in Bahrain under special permission granted by the Central Bank of Bahrain, since November 8, 2006.

1.4 The International Agencies Company Limited is an 'appointed representative' of the Company providing marketing services to the Company in Bahrain along with other 'appointed representatives' of the Company. In return the 'appointed representative' is entitled to 'commission' at the agreed terms.

The International Agencies Company Limited is also an 'Outsourcing Services provider' of the Company and providing support services ("the Outsourced Services") related to the Insurance Activity in order to serve the Company's customers, intermediaries, and other stake holders. In return the 'Outsourcing services provider' is entitled to receive 'remuneration' at the agreed terms.

1.5 All reinsurance is ceded to Swiss Reinsurance Company and Munich Reinsurance Company on agreed terms.

1.6 Based on resolution number 125 dated 14 July 2004 (Hijri 14/5/1424) issued by the Council of Ministers in Saudi Arabia, and its subsequent implementation guidelines thereon, insurance companies operating in Saudi Arabia are required to obtain a license to undertake insurance activities in the Kingdom from the Saudi Arabian Monetary Agency ("SAMA"). The requirements for license include operating as a public joint stock company and having a minimum paid up capital of Saudi Riyals 100 million.

Under these regulations, on 29 December 2004, the Board of Directors of the Company submitted a license application to SAMA under the name of "Saudi Indian Company for Cooperative Insurance" ("SICCI"). The Company has acquired 10.2% of the issued share capital of the SICCI. Further, the Company ceased its activities in the Kingdom, but later on August 1, 2005 business activities resumed as SAMA permitted existing operations to continue for a three-year grace period. On 28 December 2008, SAMA did not further extend Saudi Operations of the Company to market new insurance policies.

During 2011, SAMA approved an exit plan via letter dated 15.06.1432 H (corresponding 20 May 2011), of the Saudi Operations of the Company. The Company transferred the Saudi Operations to the Kingdom of Bahrain or LIC India with the consent of the policyholders.

During the year 2018, SICCI has got the approval from Capital Market Authority and SAMA for further capital reduction to 18.03%. Accordingly, Company's investment in SICCI also got proportionately reduced which resulted in recording losses in the income statement for the year 2018.

Investment in SICCI has been fully provided for being identified as impaired as the share trading has been suspended by The Saudi Stock Exchange (Tadawul) since 12 November 2018. As of 31 December 2024, SICCI was under liquidation.

1.7 The Board of the Company in its meeting dated 25 August 2021 approved to operate Oman branch in run-off mode. The Company engaged M/s. Dentons, Legal Consultant, Oman for submission of a detailed plan seeking approval from CMA to continue Oman operation in run-off mode and further transfer of business to Bahrain for future servicing.

The Company submitted a letter dated 27 March 2022 to the regulator CMA seeking approval for transfer of Oman policies to Bahrain. As per the CMA letter dated 23 May 2022, the Company submitted all the requirements on 31.10.2022. Final requirement 'No Objection' letter from CBB dated 8 February 2023 for transfer of insurance portfolio of Oman branch to the Company's Bahrain Branch was submitted on 9 February 2023 to CMA.

1.8 The financial statements for the year ended 31 December 2025 were approved by the Board of Directors on 9 March 2026.

2. Basis of preparation

The financial statements are prepared under the historical cost basis, except for certain financial instruments measured at fair value. The financial statements include the net assets and results of operations of the Company in the Kingdom of Bahrain (including erstwhile operation in Kuwait, Oman and Qatar) and its branch in the United Arab Emirates. All inter-branch transactions and balances are eliminated.

These financial statements are presented in Bahrain Dinar ("BD") being the functional currency of the Company. All values are rounded to the amount nearest to Bahrain Dinar except otherwise stated.

2.2 Statement of compliance and going concern assumption

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law 2006, and the regulations set out in Volume 3 (Insurance) of CBB Rulebook. They have been prepared under the assumption that the Company operates on a going concern basis.

2.3 New or revised Standards or interpretations

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Improvements/amendments to IFRS Accounting Standards

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

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

The following new amendments to existing standard and interpretation to published standards are mandatory for accounting period beginning on or after 1 January 2025 or subsequent periods, but are not relevant to the Company's operations:

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

2. Basis of preparation (continued)

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

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

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 7	Statement of Cash Flows	1 January 2026
IFRS 7	Financial Instruments: Disclosures	1 January 2026
IFRS 9	Financial Instruments	1 January 2026
IFRS 10	Consolidated Financial Statements	1 January 2026
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2027
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

Early adoption of amendments or standards in 2025

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

2.b. Material accounting policy information

2.b.1 Insurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

The Company issues non-participating annuity, non-participating protection, non-participating saving products and participating saving products.

The nature of the contracts issued by the Company and their measurement model are given in the below table:

Nature of contracts	Measurement model
Participating saving products	General Measurement Model
Non-participating saving products	General Measurement Model
Non-participating protection	General Measurement Model
Non-participating annuity	General Measurement Model
Unit Linked Products	Variable fee approach

2.b.2 Insurance contracts accounting treatment

2.b.2.a) Separating components from insurance contracts

The Company assesses its life insurance to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non insurance components). After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company' products do not include distinct components that require separation.

2.b. Material accounting policy information (continued)

2.b.2.a) Separating components from insurance contracts (continued)

IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance expenses. The surrender options are considered non distinct investment components as the Company is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

2.b.2.b) Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the

Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has defined portfolios of insurance contracts issued based on its product lines, namely non-participating annuity, non-participating protection, non-participating saving products and participating saving products due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

The annuity and term insurance and reinsurance contracts portfolios are divided into:

- A group of contracts that are onerous at initial recognition.
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- A group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are divided into:

- A group of contracts on which there is a net gain on initial recognition.
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition.
- A group of the remaining contracts in the portfolio.

2.b. Material accounting policy information (continued)

2.b.2.c) Recognition

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

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

The Company recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Company recognise an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date;
- The reinsurance contracts held by the Company provide proportionate cover. Therefore, the Company does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised; and
- The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

2.b.2.d) Onerous groups of contracts

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

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

2.b.2.e) Contract boundary

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

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

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For life contracts with renewal periods, the Company assess whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals is established by the Company by considering all the risks covered for the policyholder by the Company, that the Company would consider when underwriting equivalent contracts on the renewal dates for the remaining service. The Company reassess contract boundary of each group at the end of each reporting period.

2.b. Material accounting policy information (continued)

2.b.2.f) Measurement- general measurement model ("GMM") and variable fee approach ("VFA")

2.b.2.f.1) Insurance contracts – initial measurement

Measurement- general model Insurance contracts – initial measurement

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A CSM representing the unearned profit the Company will recognise as it provides insurance contract services under the insurance contracts in the group. Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for nonfinancial risk. The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

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

The Company incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimate the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders
- Other information about the known or estimated characteristics of the insurance contracts
- Historical data about the Company's own experience, supplemented, when necessary, with data from other sources. Historical data is adjusted to reflect current conditions
- Current pricing information, when available

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Company do not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

2.b.2.f.2) Reinsurance contracts held – initial measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- The Company determine the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- The Company recognise both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition

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

2.b. Material accounting policy information (continued)

2.b.2.f.2) Reinsurance contracts held – initial measurement (continued)

The Company calculate the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. Where the Company enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

2.b.2.f.3) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided. For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition (for insurance contracts measured GMM).
- Entity's share of change in fair value of underlying items (for insurance contracts measured under VFA)
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period. The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

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

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).

2.b. Material accounting policy information (continued)

2.b.2.f.3) Insurance contracts – subsequent measurement (continued)

- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the investment component of the payment in the period that was expected at the start of the period. (For insurance contracts measured under GMM)
- Changes in the risk adjustment for non-financial risk that relate to future service. Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component.

The Company measure the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprising the fulfilment cash flows related to past service allocated to the group at that date.

2.b.2.f.4) Reinsurance contracts held – subsequent measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related charges arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

2.b. Material accounting policy information (continued)

2.b.2.f.5) Insurance contracts – modification and derecognition

The Company derecognise insurance contracts when:

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

2.b.2.f.6) Insurance acquisition cash flows

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

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Company expects to derecognise all assets for insurance acquisition cash flows within one year.

2.b.2.f.7) Presentation

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related portfolios of insurance contracts issued.

The Company disaggregate the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Company do not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

2.b. Material accounting policy information (continued)

2.b.2.f.8) Insurance revenue

The Company' insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Expected claims and expenses during the period excluding investment component and any amounts allocated to the loss component of the liability for remaining coverage.
- Amounts related to income tax that are specifically chargeable to the policyholder.
- The expected release of risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to insurance acquisition cash flows.

2.b.2.f.9) Loss components

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

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

2.b.2.f.10) Insurance finance income or expenses

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

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

The Company disaggregate insurance finance income or expenses on insurance contracts issued for its non-participating annuity, non-participating protection, non-participating saving products and participating saving products portfolios between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company' financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income or expenses on the Company' issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

2.b. Material accounting policy information (continued)

2.b.2.f.11) Net income or expense from reinsurance contracts held

The Company present separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2.b.2.f.12) Non-distinct investment components

The Company issues life insurance products that generally contain investment components for portfolios non-participating annuity, non-participating saving products and participating saving products portfolios. Under IFRS 17, an investment component is defined as a contractual obligation requiring the insurer to repay an amount to the policyholder, even in the absence of an insured event. The Company has determined that the investment components embedded within its insurance contracts are non-distinct and not separable because they are highly interrelated with the insurance component. This means that the value of one component is dependent on the other, and policyholders cannot benefit from the investment component without also retaining the insurance component. Additionally, similar investment contracts are not available as standalone products in the market outside the insurance industry.

As a result, non-distinct investment components remain within the scope of IFRS 17 and are included in the fulfilment cash flows of the insurance contract. These components are excluded from insurance revenue and service expenses, in line with IFRS 17 Para 85, ensuring that reported insurance revenue reflects only compensation for insurance services. Common non-distinct investment components in the company's products include maturity benefits, surrender values, annuity payments, and embedded savings components in death benefits.

2.b.3 Financial Instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

a. Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for those trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets, other than those designated and effective as hedging instruments (if any), are classified into the following categories:

- amortised cost,
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for impairment of trade and other receivables which is presented separately in the statement of comprehensive income.

2.b. Material accounting policy information (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, reinsurance contract assets, term deposits with banks, accrued interest income, statutory deposits and other assets fall into this category of financial instruments. The net carrying values of cash and cash equivalents, reinsurance contract assets, accrued interest income, other assets, statutory deposits and term deposits with banks are considered to be a reasonable approximation of fair value.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income – debt instrument

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Financial assets at fair value through other comprehensive income – equity instrument

The Company made an irrevocable election to present in other comprehensive income changes in the fair value of an investment in an equity instrument that is not held for trading. This election is made on an instrument-by-instrument (share-by-share) basis. Amounts presented in other comprehensive income will not be subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity.

2.b. Material accounting policy information (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, other receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other assets and policy loans

The Company makes use of a simplified approach in accounting for other assets as well as policy loans and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

2.b. Material accounting policy information (continued)

2.b.4 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value. The costs of furniture and equipment are depreciated on a straight-line basis over the estimated useful lives, which are as follows:

Motor vehicles	5 years
Furniture, fixtures and others	1 – 4 years

The gain or loss arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

2.b.5 Intangible assets

Intangible assets comprising computer software that are stated at cost less accumulated amortisation and any impairment in value. The amount paid for computer software amortized on straight line basis over their estimated useful life of 3 years.

2.b.6 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying value 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 assets 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 Company estimates 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses based on the net present value of future cash flows are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 previously been recognised. The reversal of the loss is recognised immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.b.7 Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

2.b.8 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

2.b.9 Provisions

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

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

2.b. Material accounting policy information (continued)

2.b.10 Other operating expenses

Staff costs and other operating expenses such as advertisement expenses, annual fees to regulatory authorities, professional charges and other administrative expenses are expensed in the normal course of business and are accounted as per the accrual basis of accounting.

2.b.11 Equity

Share capital represents the nominal (par) value of shares that have been issued.

Statutory reserve is required by the Bahrain Commercial Companies Law and the Company's articles of association. 10% of the profit for the year should be transferred to statutory reserve every year. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid-up share capital. The reserve cannot be utilised for the purpose of a distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

Contingency reserve is required as per Article 20 of the Oman Insurance Companies Law 1979 and article 10 (bis) (3) (b) to the executive by-law issued by Capital Market Authority (CMA) vide administrative decision no. 19/2007 dated 4 June 2007, an amount equal to 1% of the net premiums for the year is to be transferred to a contingency reserve.

The insurance finance reserve comprises of the cumulative net gains or losses recognized in other comprehensive income (OCI) arising from changes in financial assumptions that affect the measurement of insurance contract liabilities, including discount rates.

Reinsurance reserve required by CBUAE (Article 34 of the Insurance Authority's Board of Directors' Decision No. (23) of 2019) , insurance companies are required to allocate 0.5% of total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the company or default in its financial position. These provisions shall be accumulated year after year and may not be disposed of without the written approval of the Director General.

Fair value reserve comprises of fair value changes of investments at fair value through other comprehensive income.

Accumulated losses include all current and prior period retained profits and losses.

2.b.12 Contingencies

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2.b.13 Fair value

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 of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes fair value measurement is categorized into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

2.b. Material accounting policy information (continued)

2.b.14 Other income

All other income is recognised on an accrual basis.

2.b.15 Taxation and VAT

Income tax expense represents the sum of the tax currently payable on UAE corporate tax Kuwait income tax, calculated using tax rates applicable based on UAE and Kuwait operations.

Value Added Tax (VAT) is charged at 5% and 10% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person within the UAE and Bahrain jurisdictions. The Company is required to file its VAT returns and compute the payable tax and deposit the same within the prescribed due dates of filling VAT return and tax payment.

2.b.16 Employees' terminal benefits

Employees' terminal benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the General Organisation for Social Insurance in the Kingdom of Bahrain. The Company's share of contribution to this funded scheme which is defined contribution scheme under IAS-19 - Employee benefits, is recognised as an expense in the statement of comprehensive income.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Laws for private sector 2012, based on length of service and final salary.

Provision for this, which is unfunded, and which represent a defined benefit plan under IAS-19 has been made by calculating the notional liability had all employees left at the reporting date. The provision was recorded up to 29 February 2024 due to new regulations. This provision is classified as a non-current liability in the statement of financial position.

In addition, from 1 March 2024, the Company pays the leaving indemnity to the Social Insurance Organisation on a monthly basis.

2.b.17 Foreign currencies

Foreign currency transactions are recorded in Bahrain Dinars at the approximate rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the year-end rates of exchange. Exchange differences are reported as part of the results for the year.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are presented in Bahraini Dinars using exchange rates prevailing at each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

a. Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Classifying single-premium savings products as insurance contracts

The Company's products include varying levels of insurance coverage. Under IFRS 17, a contract is deemed an insurance contract if it transfers significant insurance risk from the policyholder to the insurer, even if that risk appears small. Although IFRS 17 does not prescribe a numeric threshold for assessing "significance," it requires evaluation at the individual contract level. Because these products expose the Company to potential losses in at least one commercially substantive scenario, Management has concluded that they meet the definition of insurance contracts under IFRS 17.

b. Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives and residual values of depreciable assets. Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and environmental regulations that can make polluting assets to be depreciated more quickly.

Fair value measurement. Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3.1 Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company disaggregates information to disclose life insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the Company is managed.

3.2 The methods used to measure insurance contracts

The Company primarily uses deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for random variation in one or more inputs over time. The random variation is usually based on fluctuations observed in historical data for a selected period using standard time-series techniques.

The following assumptions were used when estimating future cash flows:

- Mortality, morbidity and longevity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. An increase in expected mortality, morbidity and longevity rates will increase the expected claim cost which will reduce future expected profits of the Company.

3. Significant management judgement in applying accounting policies and estimation uncertainty (continued)

The table below sets out the percentage assumed to apply to industry mortality, morbidity and longevity tables in estimating fulfilment cash flows:

Portfolio assumptions by type of business impacting net liabilities	31-Dec-25	31-Dec-24
Term (Plan 264)	131% for male smoker, 109% for female smoker, 65% for male non-smoker, 49% for female non-smoker of IALM (2006-08) Ultimate.	131% for male smoker, 109% for female smoker, 65% for male non-smoker, 49% for female non-smoker of IALM (2006-08) Ultimate.
Term (Plans 278 & 279)	120% for male smoker, 100% for female smoker, 40% for male non-smoker, 30% for female non-smoker of IALM (2006-08) Ultimate.	120% for male smoker, 100% for female smoker, 40% for male non-smoker, 30% for female non-smoker of IALM (2006-08) Ultimate.
Immediate Annuity (Plans 249 & 259)	89% of LIC (1996 - 98) Ultimate. Mortality improvement of 2% p.a. for all return of premium options and 3% p.a. for other options from policy year 2. A setback of 3 years is assumed in case of last survivor annuity.	89% of LIC (1996 - 98) Ultimate. Mortality improvement of 2% p.a. for all return of premium options and 3% p.a. for other options from policy year 2. A setback of 3 years is assumed in case of last survivor annuity.
Deferred Annuity (Plans 250 & 260)	89% of LIC (1996 - 98) Ultimate rated down by 3 years. Mortality improvement of 3% p.a. from policy year 2. A setback of 3 years is assumed in case of last survivor annuity.	89% of LIC (1996 - 98) Ultimate rated down by 3 years. Mortality improvement of 3% p.a. from policy year 2. A setback of 3 years is assumed in case of last survivor annuity.
All products other than annuities	77% of IALM (2006-08) Ultimate.	77% of IALM (2006-08) Ultimate.

- Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Company. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

- Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company' experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

3. Significant management judgement in applying accounting policies and estimation uncertainty (continued)

During the year 2025, Company updated lapse rate assumptions in estimating the fulfilment cashflows. The table below outlines the lapse rate assumptions by portfolio. Due to the application of specific rates for each year of a policy's duration, these assumptions are disclosed as representative ranges.:

Portfolio	Lapse Rates (NSP)	Lapse Rates (SP)
Non-Participating Annuity	0% to 3%	0% to 2%
Non-Participating Protection	5% to 20%	Not applicable
Non-Participating Savings	0.5% to 3%	0% to 8.5%
Participating Savings	1% to 7.5%	0% to 0.5%
ULIP	10% to 20%	0% to 10%

3.3 Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates adjusted for country risk premium are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates.

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

	1 Year		3 Year		5 Year		10 Year		20 Year	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
UAE	4.76%	4.65%	4.83%	4.76%	5.02%	4.87%	5.53%	5.07%	6.34%	5.35%
Other than UAE	7.12%	7.11%	7.19%	7.22%	7.38%	7.33%	7.89%	7.54%	8.70%	7.83%

3.4 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The Company has estimated the risk adjustment using a methodology derived from the Risk Margin calculation under the Solvency II regime, applying prescribed stresses to non-financial risk assumptions and incorporating diversification benefits consistent with the Solvency II framework. The calculation assumes that the present value of outflows follows a lognormal distribution, with the mean set as the Best Estimate Present Value of Outflows, enabling derivation of the risk adjustment at the Company's selected confidence level. The risk adjustment for life insurance and reinsurance contracts corresponds to 75% confidence level. Risk Adjustment for Liability for Incurred Claims is assumed to be nil as the benefit payable under long-term business is certain.

The risk adjustment for life insurance and reinsurance contracts corresponds to 75% confidence levels, respectively (2024: 75%).

3.5 Amortisation of the Contractual Service Margin (CSM)

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

3. Significant management judgement in applying accounting policies and estimation uncertainty (continued)

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- Recognising in profit or loss the amount allocated to coverage units provided in the period

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of life insurance contracts, the quantity of benefits is the contractually agreed sum insured over the period of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum probable loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

3.6 Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period.

In the current and prior year, the Company did not allocate any insurance acquisition cash flows to future groups of insurance contracts, as it did not expect any renewal contracts to arise from new contracts issued in the period.

In the current and prior year, the Company did not identify any facts and circumstances indicating that the assets may be impaired.

3.7 Liability adequacy test

At each reporting date, the Company review the carrying amounts of their insurance liabilities to ensure that their recognised insurance liabilities are adequate, using the current estimates of future cash flows under their insurance contracts. If that assessment shows that the carrying amount of the insurance liabilities less related deferred acquisition costs and related intangible assets if any, is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the results for the year.

3.8 Going concern assumption

The management has performed the preliminary assessment of the Company' ability to continue as a going concern, which covers a period of twelve months from the reporting date. The Company' management has prepared its business forecast and the cash flow projections for the twelve months from the reporting date on a conservative basis. These forecasts have been prepared taking into consideration the nature and condition of its business, the degree to which it is affected by external factors and other financial and non-financial data available at the time of preparation of such forecasts. On the basis of such forecasts the management is of the opinion that the Company' will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumptions used in the preparation of this financial information is appropriate. The appropriateness of the going concern assumptions shall be re-assessed at each reporting date.

4. Intangible assets

	31 December 2025	31 December 2024
	BD	BD
Costs		
At 1 January	587,377	587,377
Additions	-	-
At 31 December	<u>587,377</u>	<u>587,377</u>
Accumulated amortization		
At 1 January	571,080	557,973
Charge for the year	13,105	13,107
At 31 December	<u>584,185</u>	<u>571,080</u>
Net book value		
At 31 December	<u>3,192</u>	<u>16,297</u>

5. Furniture and equipment

	Motor vehicles	Furniture, fixtures and others	31 December 2025	31 December 2024
	BD	BD	BD	BD
Costs				
At 1 January	58,045	23,934	81,979	57,806
Additions	-	19,458	19,458	37,500
Disposals	-	(317)	(317)	(13,327)
At 31 December	<u>58,045</u>	<u>43,075</u>	<u>101,120</u>	<u>81,979</u>
Accumulated depreciation				
At 1 January	25,753	18,620	44,373	53,434
Charge for the year	6,909	4,051	10,960	4,032
On disposals	-	(181)	(181)	(13,093)
At 31 December	<u>32,662</u>	<u>22,490</u>	<u>55,152</u>	<u>44,373</u>
Net book value				
At 31 December 2025	<u>25,383</u>	<u>20,585</u>	<u>45,968</u>	<u>-</u>
At 31 December 2024	<u>32,292</u>	<u>5,314</u>	<u>-</u>	<u>37,606</u>

6. Investments

	31 December 2025	31 December 2024
	BD	BD
Investments at amortised cost		
Quoted	359,969,961	376,284,018
Unquoted	17,472,757	17,472,757
Allowance for impairment	(19,694,483)	(18,496,103)
Total investments at amortised cost (a)	357,748,235	375,260,672
Investments at fair value through other comprehensive income (FVOCI)		
Quoted – debt instruments	9,999,892	10,086,083
Unquoted – debt instruments	2,448,495	2,448,495
Allowance for impairment	(2,449,301)	(2,472,958)
Total investments at FVOCI (b)	9,999,086	10,061,620
Investments at fair value through profit and loss (FVTPL) (c)	92,705,307	80,438,173
Total (a)+(b)+(c)	460,452,628	465,760,465

Investments held in the custody of Munich Re

The Company had entered into an agreement with Munich Reinsurance Company to eliminate the solvency deficit of its UAE branches. The arrangement covers investments, which were considered inadmissible for the purpose of solvency of the UAE branches, have been therefore transferred to Munich Re. These investments are presented as "reinsurance recoverable" in the books of UAE branches.

The Company has assessed that it retains substantially all risks and rewards of ownership; therefore, these assets are recognised as "investments" in the books at the Head Office level

(a) Investments at amortised cost

As at the reporting date, investments at amortised cost comprise of the following:

	31 December 2025	31 December 2024
	BD	BD
Debt instruments		
Zero coupon bonds	10,919,489	10,650,240
Other bonds	366,523,230	383,106,535
	377,442,719	393,756,775
Allowance for impairment	(19,694,484)	(18,496,103)
At 31 December	357,748,235	375,260,672
Fair value:		
Zero coupon bonds	4,529,745	4,313,696
Other bonds	346,266,513	350,831,845
At 31 December	350,796,258	355,145,541

Investments at amortized cost amounting to BD110,429,818 (31 December 2024: 115,859,995) are held in the custody of Munich Re.

6. Investments (continued)

The movements in investments at amortised cost are as follows:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	393,756,775	431,217,509
Additions	4,003,709	26,036,631
Disposals/redemptions	(19,462,055)	(62,443,566)
Capitalisation of discount	269,249	253,200
Amortisation of premium	(1,124,959)	(1,306,999)
At 31 December	<u>377,442,719</u>	<u>393,756,775</u>

The movement in allowance for impairment is detailed below:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	18,496,103	18,902,638
Charge for the year	1,382,667	182,992
Reversal of impairment	(184,286)	(589,527)
At 31 December	<u>19,694,484</u>	<u>18,496,103</u>

(b) Investments at FVOCI

As at the reporting date, investments at FVOCI comprise of the following:

	31 December 2025	31 December 2024
	BD	BD
Quoted investments		
Debt instruments		
Government bonds	752,175	738,075
Other bonds	11,696,212	11,796,503
Total investments	12,448,387	12,534,578
Allowance for impairment	(2,449,301)	(2,472,958)
At 31 December	<u>9,999,086</u>	<u>10,061,620</u>

Investments at FVOCI amounting to BD 1,642,526 (31 December 2024: BD 1,580,280) are held in the custody of Munich Re.

The movement in investments at FVOCI is detailed below:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	12,534,578	12,088,026
Disposals/redemptions	(375,164)	-
Unrealised fair value gain in investments at FVOCI	288,973	446,552
At 31 December	<u>12,448,387</u>	<u>12,534,578</u>

6. Investments (continued)

The movement in allowance for impairment for debt instruments at FVOCI is detailed below:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	2,472,958	2,465,818
Charge for the year	807	7,140
Reversal of impairment	(24,464)	-
At 31 December	<u>2,449,301</u>	<u>2,472,958</u>

Movement in cumulative fair value reserve arising from investments is as follows:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	(883,497)	(1,330,049)
Fair value gain	288,973	446,552
At 31 December	<u>(594,524)</u>	<u>(883,497)</u>

(c) Investments at FVTPL

As at the reporting date, investments at FVTPL comprise of the following:

	31 December 2025	31 December 2024
	BD	BD
Debt instruments		
Government bonds	37,496,111	36,256,225
Other bonds	28,756,512	29,496,966
	<u>66,252,623</u>	<u>65,753,191</u>
Equity instruments		
Mutual funds	23,512,711	11,620,846
Equity shares	2,939,973	3,064,136
	<u>26,452,684</u>	<u>14,684,982</u>
Total investments at FVTPL	<u>92,705,307</u>	<u>80,438,173</u>

Investments at FVTPL amounting to BD 14,077,412 (31 December 2024: BD 14,908,752) are held in the custody of Munich Re.

The movement in financial assets at FVTPL is detailed below:

	31 December 2025	31 December 2024
	BD	BD
At 1 January	80,438,173	108,855,292
Additions	15,784,747	6,461,193
Disposals/redemptions	(6,827,153)	(38,115,747)
Change in fair value of assets held for ULIP	993,109	191,058
Increase in fair value	2,316,431	3,046,377
At 31 December	<u>92,705,307</u>	<u>80,438,173</u>

7. Policy loans

	31 December 2025 BD	31 December 2024 BD
Policy loans	5,118,022	4,781,301
Allowance for expected credit losses	(919,506)	(334,211)
	<u>4,198,516</u>	<u>4,447,090</u>

Policy loans carry an interest rate of 6% (2024: 7%) per annum and have varied maturities. These loans are granted against active policies and are secured against the surrender values.

8. Accrued interest income

	31 December 2025 BD	31 December 2024 BD
Accrued interest income on policy loans	1,251,460	1,283,378
Accrued interest income on investments	7,072,597	7,315,344
	<u>8,324,057</u>	<u>8,598,722</u>

The movement in accrued interest income is as follows:

	31 December 2025 BD	31 December 2024 BD
At 1 January	8,598,722	8,941,283
Interest income on investments	25,683,346	27,839,963
Interest income on policy loans	465,893	456,954
Received during the year	(26,423,904)	(28,639,478)
At 31 December	<u>8,324,057</u>	<u>8,598,722</u>

9. Prepayments and other assets

	31 December 2025 BD	31 December 2024 BD
Prepayments	4,650	11,447
Advances to employees	44,961	39,784
Other receivables	61,609	43,629
	<u>111,220</u>	<u>94,860</u>

Advance given to employees do not carry any interest and adjustable against final settlement.

10. Statutory deposits

	31 December 2025 BD	31 December 2024 BD
Bank of Baroda, Dubai (10.1)	531,380	531,380
National Bank of Bahrain (10.2)	64,822	62,089
Central Bank of Bahrain (10.3)	50,000	50,000
National Bank of Dubai	-	5,177
Allowance for expected credit losses	(1,090)	(220)
	<u>645,112</u>	<u>648,426</u>

10.1 The deposits placed in Bank of Baroda, Dubai, U.A.E, are in accordance with the U.A.E. Federal Law No. 6 of 2007 concerning formation of Branch., and are under lien to Insurance Authority of U.A.E.

10.2 The cash deposit is placed with the National Bank of Bahrain as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook Volume 3.

10.3 The cash deposit is placed with the Central Bank of Bahrain (the "CBB") as per section GR-7.1.2 of the General Requirement Module of the CBB Insurance Rulebook Volume 3.

Interest rates on above deposits range between 1% to 3.95% per annum (2024: 1% to 4.6% per annum).

11. Term deposits with banks

	31 December 2025 BD	31 December 2024 BD
Deposits with maturities less than three months	-	27,458,049
Deposits with maturities more than three months	11,586,274	20,796,834
Allowance for expected credit losses	(8,146)	(16,619)
	<u>11,578,128</u>	<u>48,238,264</u>

These term deposits with banks carry interest rate ranging 4.02% to 5.30% per annum (2024: 4.5% to 5.65% per annum).

12. Cash and cash equivalents

	31 December 2025 BD	31 December 2024 BD
Cash in hand	1,595	302
Current accounts with commercial banks	6,956,536	9,373,683
Current accounts with investment banks	2,136,921	5,347,349
Deposits with maturities less than three months	27,172,671	-
Allowance for expected credit losses	(57,009)	(46,796)
	<u>36,210,714</u>	<u>14,674,538</u>

These term deposits with banks carry interest ranging from 3.25% to 4.2 % per annum.

There are no restrictions on bank balances at the time of approval of the financial statements.

13. Related party balances and transactions

The Company's related parties include shareholders and key management personnel of the Company and their close family members and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions with related parties are approved by the Company's management.

The Company's Shareholders, Life Insurance Corporation of India ("LIC - India"), and the International Agencies Company Limited ("Intercol") provide administration, technical assistance and other services to the Company for which they are entitled to fees at agreed terms.

13.1 Amounts due to related parties

Name of related party	Nature of relationship	31 December 2025 BD	31 December 2024 BD
The International Agencies Company Limited	Shareholder	59,645	76,055
Life Insurance Corporation of India	Shareholder	8,407	8,829
		<u>68,052</u>	<u>84,884</u>

Amounts due to related parties are unsecured, bear no interest and have no fixed repayment terms.

13.2 Related party transactions

Name of related party	Nature of relationship	Nature of transaction	31 December 2025 BD	31 December 2024 BD
Life Insurance Corporation of India	Shareholder	Provision/payment for technical assistance fee	8,428	8,812
Life Insurance Corporation of India	Shareholder	Annual maintenance cost	31,185	31,185
Life Insurance Corporation of India	Shareholder	Transfer value of policies	279,795	344,958
The International Agencies Company Limited	Shareholder	Administration and technical expenses	198,328	227,437
The International Agencies Company Limited	Shareholder	Commission expense	203,063	202,393
The International Agencies Company Limited	Shareholder	Annual maintenance cost/IT related services	439	4,162

13.3 Compensation of key management personnel

Key management of the Company are the executive members of Company's board of directors, members of the executive management and non-executive directors. Key management personnel compensation includes the following expenses:

	31 December 2025 BD	31 December 2024 BD
Remuneration to CEO & Executive Director (including end of service benefits)	28,825	31,723
Honorarium to Independent Directors	6,650	4,500
Salaries and other benefits to other members of key management (including end of service benefits)	146,639	155,675
	<u>182,114</u>	<u>191,898</u>

The above compensation was in the form of salaries, allowances and bonuses.

14. Insurance contract liabilities and reinsurance contract assets

	31 December 2025 Liabilities BD	31 December 2024 Liabilities BD
Insurance contract liabilities		
Contracts measured under GMM	390,008,791	424,635,538
Contracts measured under VFA	11,962,872	5,032,088
Total insurance contract liabilities	401,971,663	429,667,626
	31 December 2025 Assets BD	31 December 2024 Assets BD
Reinsurance contract assets		
Contracts measured under GMM	266,471	141,203
Total reinsurance contract assets	266,471	141,203

14.1 Roll-forward of the liability for insurance contracts issued measured under GMM

The roll-forward of the liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in life insurance unit, is disclosed in the table below:

	31 December 2025				Total BD
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component BD	Loss component BD	Estimates of present value of future cashflows BD	Risk adjustment (RA) BD	
Gross Insurance contract liabilities as at 1 January (a)	358,758,272	60,347,926	5,529,340	-	424,635,538
Insurance revenue	(6,794,778)	-	-	-	(6,794,778)
Insurance service expenses					
Incurring claims and other expenses	-	(548,502)	56,747,780	-	56,199,278
Amortisation of insurance acquisition cash flows	272,303	-	-	-	272,303
Losses on onerous contracts and reversals of those losses	-	8,999,817	-	-	8,999,817
Changes to liabilities for incurred claims	-	-	(55,917,588)	-	(55,917,588)
Total insurance service expenses	272,303	8,451,315	830,192	-	9,553,810
Investment Components	(32,409,638)	(23,507,950)	55,917,588	-	-
Insurance service result	(38,932,113)	(15,056,635)	56,747,780	-	2,759,032
Insurance finance expenses	13,671,664	234,908	-	-	13,906,572
Total changes in the statement of comprehensive income (b)	(25,260,449)	(14,821,727)	56,747,780	-	16,665,604
Cash flows					
Premiums received	6,372,125	-	-	-	6,372,125
Claims and other expenses paid	-	-	(57,029,594)	-	(57,029,594)
Insurance acquisition cash flows	(634,882)	-	-	-	(634,882)
Total cash flows (c)	5,737,243	-	(57,029,594)	-	(51,292,351)
Gross insurance contract liabilities as at 31 Dec (a+b+c)	339,235,066	45,526,199	5,247,526	-	390,008,791

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.1 Roll-forward of the liability for insurance contracts issued measured under GMM (continued)

	31 December 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of future cashflows		
	BD	BD	BD		
Gross Insurance contract liabilities as at 1 January (a)	477,633,480	57,209,495	5,814,082	540,657,057	
Insurance revenue	(7,967,478)	-	-	(7,967,478)	
Insurance service expenses					
Incurring claims and other expenses	-	(506,034)	139,752,685	139,246,651	
Amortisation of insurance acquisition cash flows	239,086	-	-	239,086	
Losses on onerous contracts and reversals of those losses	-	3,413,777	-	3,413,777	
Changes to liabilities for incurred claims	-	-	(137,942,141)	(137,942,141)	
Total insurance service expenses	239,086	2,907,743	1,810,544	4,957,373	
Investment components	(137,942,141)	-	137,942,141	-	
Insurance service result	(145,670,533)	2,907,743	139,752,685	(3,010,105)	
Insurance finance expenses	11,230,260	230,688	-	11,460,948	
Total changes in the statement of comprehensive income (b)	(134,440,273)	3,138,431	139,752,685	8,450,843	
Cash flows					
Premiums received	15,832,488	-	-	15,832,488	
Claims and other expenses paid	-	-	(140,037,427)	(140,037,427)	
Insurance acquisition cash flows	(267,423)	-	-	(267,423)	
Total cash flows (c)	15,565,065	-	(140,037,427)	(124,472,362)	
Gross insurance contract liabilities as at 31 December (a+b+c)	358,758,272	60,347,926	5,529,340	424,635,538	

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.2 Roll-forward of the liability for insurance contracts issued measured under VFA

The roll-forward of the liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in life insurance unit, is disclosed in the table below:

	31 December 2025				Total
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cashflows	Risk adjustment (RA)	
	BD	BD	BD	BD	BD
Gross insurance contract liabilities as at 1 January (a)	4,721,033	214,446	96,609	-	5,032,088
Insurance revenue	(249,305)	-	-	-	(249,305)
Insurance service expenses					
Incurring claims and other expenses	-	(20,730)	420,598	-	399,868
Amortisation of insurance acquisition cash flows	63,151	-	-	-	63,151
Losses on onerous contracts and reversals of those losses	-	1,973	-	-	1,973
Changes to liabilities for incurred claims	-	-	(420,177)	-	(420,177)
Total insurance service expenses	63,151	(18,757)	421	-	44,815
Investment Components	(420,177)	-	420,177	-	-
Insurance service result	(606,331)	(18,757)	420,598	-	(204,490)
Insurance finance expenses	965,797	28,386	-	-	994,183
Total changes in the statement of comprehensive income (b)	359,466	9,629	420,598	-	789,693
Cash flows					
Premiums received	6,533,725	-	-	-	6,533,725
Claims and other expenses paid	-	-	(392,634)	-	(392,634)
Insurance acquisition cash flows	-	-	-	-	-
Total cash flows (c)	6,533,725	-	(392,634)	-	6,141,091
Gross insurance contract liabilities as at 31 Dec (a+b+c)	11,614,224	224,075	124,573	-	11,962,872

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.2 Roll-forward of the insurance contracts issued measured under VFA (continued)

	31 December 2024			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of present value of future cashflows	
	BD	BD	BD	BD
Gross insurance contract liabilities as at 1 January (a)	1,059,570	73,608	104,718	1,237,896
Insurance revenue	(70,658)	-	-	(70,658)
Insurance service expenses				
Incurred claims and other expenses	-	(12,700)	101,702	89,002
Amortisation of insurance acquisition cash flows	6,024	-	-	6,024
Losses on onerous contracts and reversals of those losses	-	144,455	-	144,455
Changes to liabilities for incurred claims	-	-	(99,865)	(99,865)
Total insurance service expenses	6,024	131,755	1,837	139,616
Investment components	(99,865)	-	99,865	-
Insurance service result	(164,499)	131,755	101,702	68,958
Movement in unit linked contracts	218,375	9,083	-	227,458
Total changes in the statement of comprehensive income (b)	53,876	140,838	101,702	296,416
Cash flows				
Premiums received	3,607,587	-	-	3,607,587
Claims and other expenses paid	-	-	(109,811)	(109,811)
Insurance acquisition cash flows	-	-	-	-
Total cash flows (c)	3,607,587	-	(109,811)	3,497,776
Gross insurance contract liabilities as at 31 December (a+b+c)	4,721,033	214,446	96,609	5,032,088

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.3 Movements of the liability for Insurance contracts issued measured under GMM

The table below presents a roll-forward of the liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit.

	31 December 2025			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Gross Insurance contract liabilities as at 1 January (a)	411,373,675	658,897	12,602,966	424,635,538
Changes that relate to current services	(3,927,143)	(80,249)	(2,247,806)	(6,255,198)
Contractual service margin recognised for services provided	-	-	(2,247,806)	(2,247,806)
Risk adjustment recognised for the risk expired	-	(80,249)	-	(80,249)
Experience adjustments	(3,927,143)	-	-	(3,927,143)
Changes that relate to future services	10,266,053	381,627	(1,647,863)	8,999,817
Contracts initially recognised in the year	(63,810)	3,515	567,806	507,511
Experience Adjustment	4,213,067	(11,767)	(934,751)	3,266,549
Changes in estimates that adjust the contractual service margin	1,054,757	226,161	(1,280,918)	-
Changes in estimates that do not adjust the contractual service margin	5,062,039	163,718	-	5,225,757
Changes that relate to past services	14,413	-	-	14,413
Adjustments to liabilities for incurred claims	14,413	-	-	14,413
Insurance service result	6,353,323	301,378	(3,895,669)	2,759,032
Insurance finance expenses	13,242,717	34,551	629,304	13,906,572
Total changes in the statement of comprehensive income (b)	19,596,040	335,929	(3,266,365)	16,665,604
Cash flows				
Premiums received	6,372,125	-	-	6,372,125
Claims and other expenses paid	(57,029,594)	-	-	(57,029,594)
Insurance acquisition cash flows	(634,882)	-	-	(634,882)
Total cash flows (c)	(51,292,351)	-	-	(51,292,351)
Gross Insurance contract liabilities as at 31 Dec (a+b+c)	379,677,364	994,826	9,336,601	390,008,791

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.3 Movement of the liability for insurance contracts issued measured under GMM (continued)

	31 December 2024			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Gross Insurance contract liabilities as at 1 January (a)	525,709,620	726,360	14,221,077	540,657,057
Changes that relate to current services	(3,524,613)	(101,638)	(2,764,655)	(6,390,906)
Contractual service margin recognised for services provided	-	-	(2,764,655)	(2,764,655)
Risk adjustment recognised for the risk expired	-	(101,638)	-	(101,638)
Experience adjustments	(3,524,613)	-	-	(3,524,613)
Changes that relate to future services	2,848,556	(9,194)	574,416	3,413,778
Contracts initially recognised in the year	(507,660)	5,036	734,290	231,666
Experience Adjustment	3,282,988	(23,371)	(303,444)	2,956,173
Changes in estimates that adjust the contractual service margin	(160,340)	16,772	143,570	2
Changes in estimates that do not adjust the contractual service margin	233,568	(7,631)	-	225,937
Changes that relate to past services	(32,977)	-	-	(32,977)
Adjustments to liabilities for incurred claims	(32,977)	-	-	(32,977)
Insurance service result	(709,034)	(110,832)	(2,190,239)	(3,010,105)
Insurance finance expenses	10,845,451	43,369	572,128	11,460,948
Total changes in the statement of comprehensive income (b)	10,136,417	(67,463)	(1,618,111)	8,450,843
Cash flows				
Premiums received	15,832,488	-	-	15,832,488
Claims and other expenses paid	(140,037,427)	-	-	(140,037,427)
Insurance acquisition cash flows	(267,423)	-	-	(267,423)
Total cash flows (c)	(124,472,362)	-	-	(124,472,362)
Gross insurance contract liabilities as at Dec (a+b+c)	411,373,675	658,897	12,602,966	424,635,538

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.4 Movement of the liability for insurance contracts issued measured under VFA

The table below presents a roll-forward of the liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit.

	31 December 2025			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Gross Insurance contract liabilities as at 1 January (a)	4,914,528	28,202	89,358	5,032,088
Changes that relate to current services	(210,534)	(3,328)	(20,564)	(234,426)
Contractual service margin recognised for services provided	-	-	(20,564)	(20,564)
Risk adjustment recognised for the risk expired	-	(3,328)	-	(3,328)
Experience adjustments	(210,534)	-	-	(210,534)
Changes that relate to future services	(462,331)	266,084	198,220	1,973
Contracts initially recognised in the year	572,298	41,667	-	613,965
Experience Adjustment	(510,085)	2,731	139,674	(367,680)
Changes in estimates that adjust the contractual service margin	(131,632)	73,086	58,546	-
Changes in estimates that do not adjust the contractual service margin	(392,912)	148,600	-	(244,312)
Changes that relate to past services	27,964	-	-	27,964
Adjustments to liabilities for incurred claims	27,964	-	-	27,964
Insurance service result	(644,901)	262,756	177,656	(204,489)
Insurance finance expenses	994,183	-	-	994,183
Total changes in the statement of comprehensive income (b)	349,282	262,756	177,656	789,694
Cash flows				
Premiums received	6,533,724	-	-	6,533,724
Claims and other expenses paid	(392,634)	-	-	(392,634)
Insurance acquisition cash flows	-	-	-	-
Total cash flows (c)	6,141,090	-	-	6,141,090
Gross insurance contract liabilities as at 31 Dec (a+b+c)	11,404,900	290,958	267,014	11,962,872

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.4 Movement of the liability for insurance contracts issued measured under VFA (continued)

	31 December 2024			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Gross Insurance contract liabilities as at 1 January (a)	1,225,996	6,418	5,482	1,237,896
Changes that relate to current services	(63,692)	(2,237)	(1,458)	(67,387)
Contractual service margin recognised for services provided	-	-	(1,458)	(1,458)
Risk adjustment recognised for the risk expired	-	(2,237)	-	(2,237)
Experience adjustments	(63,692)	-	-	(63,692)
Changes that relate to future services	35,099	24,021	85,334	144,454
Contracts initially recognised in the year	169,284	27,713	-	196,997
Experience Adjustment	(134,185)	1,949	83,978	(48,258)
Changes in estimates that adjust the contractual service margin	-	(1,356)	1,356	-
Changes in estimates that do not adjust the contractual service margin	-	(4,285)	-	(4,285)
Changes that relate to past services	(8,109)	-	-	(8,109)
Adjustments to liabilities for incurred claims	(8,109)	-	-	(8,109)
insurance service result	(36,702)	21,784	83,876	68,958
Movement in unit linked contracts (fair value change)	227,458	-	-	227,458
Total changes in the statement of comprehensive income (b)	190,756	21,784	83,876	296,416
Cash flows				
Premiums received	3,607,586	-	-	3,607,586
Claims and other expenses paid	(109,810)	-	-	(109,810)
Insurance acquisition cash flows	-	-	-	-
Total cash flows (c)	3,497,776	-	-	3,497,776
Gross insurance contract liabilities as at 31 December (a+b+c)	4,914,528	28,202	89,358	5,032,088

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.5 Roll-forward of reinsurance contracts measured under GMM

The roll-forward of the net asset for reinsurance contracts held, showing the assets for remaining coverage and the assets for incurred claims for portfolios included in life insurance unit, is disclosed in the table below:

	31 December 2025				Total
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cashflows	Risk adjustment (RA)	
	BD	BD	BD	BD	BD
Reinsurance contract liabilities / (assets) as at 1 January (a)	42,383	(88,594)	(94,992)	-	(141,203)
Allocation of reinsurance premiums	35,437	-	-	-	35,437
Amount Recoverable from reinsurers for incurred claims					
Incurring claims and other expenses	-	74,710	(359)	-	74,351
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	(55,253)	-	-	(55,253)
Changes to liabilities for incurred claims	-	-	(238)	-	(238)
Total amount recoverable from reinsurers for incurred claims	-	19,457	(597)	-	18,860
Investment components	-	-	-	-	-
Reinsurance service result	35,437	19,457	(597)	-	54,297
Reinsurance finance expenses	64,110	(56,620)	-	-	7,490
Total changes in the statement of comprehensive income (b)	99,547	(37,163)	(597)	-	61,787
Cash flows					
Premiums paid	(273,302)	-	-	-	(273,302)
Claims and other expenses	-	-	86,247	-	86,247
Acquisition cash flows	-	-	-	-	-
Total cash flows (c)	(273,302)	-	86,247	-	(187,055)
Reinsurance contract liabilities / (assets) as at 31 Dec (a+b+c)	(131,372)	(125,757)	(9,342)	-	(266,471)

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.5 Roll-forward of reinsurance contracts measured under GMM (continued)

	31 December 2024			
	Assets for remaining coverage		Assets for incurred claims	
	Excluding loss component	Loss component	Estimates of present value of future cashflows	
	BD	BD	BD	BHD
Reinsurance contract liabilities / (assets) as at 1 January (a)	(70,637)	(63,863)	-	(134,500)
Allocation of reinsurance premiums	115,509	-	-	115,509
Amounts recoverable from reinsurers for incurred claims				
Incurred claims and other expenses	-	11,985	(93,536)	(81,550)
Amortisation of insurance acquisition cash flows	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	(25,287)	-	(25,287)
Changes to liabilities for incurred claims	-	-	-	-
Total amounts recoverable from reinsurers for incurred claims	-	(13,302)	(93,536)	(106,838)
Investment components	-	-	-	-
Reinsurance service result	115,509	(13,302)	(93,536)	8,671
Reinsurance finance income	26,721	(11,429)	-	15,292
Total changes in the statement of comprehensive income (b)	142,230	(24,731)	(93,536)	23,963
Cash flows				
Premiums paid	(29,210)	-	-	(29,210)
Claims and other expenses	-	-	(1,456)	(1,456)
Acquisition cash flows	-	-	-	-
Total cash flows (c)	(29,210)	-	(1,456)	(30,666)
Reinsurance contract liabilities / (assets) as at 31 December (a+b+c)	42,383	(88,594)	(94,992)	(141,203)

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.6 Movements in reinsurance contracts measured under GMM (continued)

The table below presents a roll-forward of the net asset for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit.

	31 December 2025			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Reinsurance contract liabilities / (assets) as at 1 January (a)	(635,757)	(49,193)	543,747	(141,203)
Changes that relate to current services	85,472	3,835	(65,411)	23,896
Contractual service margin recognised for services provided	-	-	(65,411)	(65,411)
Risk adjustment recognised for the risk expired	-	3,835	-	3,835
Experience adjustments	85,472	-	-	85,472
Changes that relate to future services	(29,498)	(22,524)	(3,227)	(55,249)
Contracts initially recognised in the year	(308,179)	(18,009)	287,882	(38,306)
Experience Adjustment	62,483	12,395	(2,282)	72,596
Changes in estimates that adjust the contractual service margin	283,867	4,960	(288,827)	-
Changes in estimates that do not adjust the contractual service margin	(67,669)	(21,870)	-	(89,539)
Changes that relate to past services	85,650	-	-	85,650
Adjustments to liabilities for incurred claims	85,650	-	-	85,650
Reinsurance service result	141,624	(18,689)	(68,638)	54,297
Reinsurance finance expenses	(28,387)	(3,437)	39,314	7,490
Total changes in the statement of comprehensive income (b)	113,237	(22,126)	(29,324)	61,787
Cash flows				
Premiums paid	(273,302)	-	-	(273,302)
Claims and other expenses	86,247	-	-	86,247
Acquisition cash flows	-	-	-	-
Total cash flows (c)	(187,055)	-	-	(187,055)
Reinsurance contract liabilities / (assets) as at 31 Dec (a+b+c)	(709,575)	(71,319)	514,423	(266,471)

14. Insurance contract liabilities and reinsurance contract assets (continued)

14.6 Movements in reinsurance contracts measured under GMM (continued)

	31 December 2024			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual Service Margin	Total
	BD	BD	BD	BD
Reinsurance contract liabilities / (assets) as at 1 January (a)	(492,923)	(38,447)	396,870	(134,500)
Changes that relate to current services	154,361	2,855	(28,266)	128,950
Contractual service margin recognised for services provided	-	-	(28,266)	(28,266)
Risk adjustment recognised for the risk expired	-	2,855	-	2,855
Experience adjustments	154,361	-	-	154,361
Changes that relate to future services	(173,964)	(10,910)	159,587	(25,287)
Contracts initially recognised in the year	(73,980)	(6,334)	70,230	(10,084)
Experience adjustment	115,430	6,342	(147,474)	(25,702)
Changes in estimates that adjust the contractual service margin	(224,512)	(12,319)	236,831	-
Changes in estimates that do not adjust the contractual service margin	9,098	1,401	-	10,499
Changes that relate to past services	(94,992)	-	-	(94,992)
Adjustments to liabilities for incurred claims	(94,992)	-	-	(94,992)
Reinsurance service result	(114,595)	(8,055)	131,321	8,671
Reinsurance finance expenses	2,427	(2,691)	15,556	15,292
Total changes in the statement of comprehensive income (b)	(112,168)	(10,746)	146,877	23,963
Cash flows				
Premiums received	(29,210)	-	-	(29,210)
Claims and other expenses paid	(1,456)	-	-	(1,456)
Reinsurance acquisition cash flows	-	-	-	-
Total cash flows (c)	(30,666)	-	-	(30,666)
Reinsurance contract liabilities / (assets) as at 31 December (a+b+c)	(635,757)	(49,193)	543,747	(141,203)

15. Zakat and tax provisions

	Dubai and Abu Dhabi Tax BD	Kuwait Tax BD	31 December 2025 Total BD	31 December 2024 Total BD
At 1 January	552,056	237,483	789,539	287,356
Tax expense	315,339	155,176	470,515	552,056
Reversed/paid during the year	(552,056)	(115,188)	(667,244)	(49,873)
At 31 December	<u>315,339</u>	<u>277,471</u>	<u>592,810</u>	<u>789,539</u>

The Director of Income Tax ("DIT") in Kuwait has finalised the Company's tax declarations in respect of the Company's Kuwait operations up to the fiscal year 2021.

During the year 2025, the Tax Appeal Committee rejected the appeals for the fiscal year 2014,2015 and 2016 confirming the earlier assessments made by the Tax Department. Tax Department issued reassessment order similar to earlier assessment, demanding the tax amount of KD 92,943. After receiving reassessment order, Company deposited the amount of tax and settled the matter.

Further, during the year 2025, Company received the tax assessment orders pertaining to fiscal years 2019,2020 and 2021 from the Income Tax Department, Kuwait demanding tax amounting to KD 126,850 for which the company filed an appeal before the Tax Appeal Committee, Kuwait and recorded the provision in the books for the demanded amount.

Subsequent to the year end, Tax Appeal Committee rejected the appeal filed by the Company against the tax assessment pertaining to the years 2017 to 2021, in the month of January 2026. The company deposited the demanded amount KD 226,821 in the month of February 2026.

Company's management is of the opinion that taxes, if any, payable on finalization of the pending fiscal years would not be significant to the Company's financial position as at 31 December 2025.

Domestic minimum Top-up Tax (DMTT)

The OECD Global Anti-Base Erosion Pillar Two Model Rules ("GloBE rules") apply to multinational enterprise (MNE) groups with total annual consolidated revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

In line with the requirements of GloBE rules, the Kingdom of Bahrain has issued and enacted Decree Law No. (11) of 2024 ('Bahrain DMTT law') on 1 September 2024 introducing a domestic minimum top-up tax ("DMTT") up to 15% on the taxable income of the Bahrain resident entities of the Group for fiscal years commencing on or after 1 January 2025.

The Company registered itself under Bahrain DMTT and filed DMTT advance Tax return in compliance with DMTT requirement. The Company's tax liability under the DMTT requirement is nil due to taxable losses under the DMTT reporting requirement.

16. Other liabilities

	31 December 2025 BD	31 December 2024 BD
Accrued expenses and provisions	182,228	305,161
Fee payable to Munich Re	524,171	270,778
Policy deposits	226,549	237,945
Accounts payable	93,635	127,215
Discounted premium received in advance	115,290	107,639
Proposal deposits	17,202	18,046
VAT payable	5,501	5,006
	<u>1,164,576</u>	<u>1,071,790</u>

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

17. Share capital

The share capital of the Company consists of 654,393 (2024:654,393) ordinary shares of BD100 (2024: BD100) each, authorised, issued and fully paid up.

	Number of shares	%	Amount BD
Life Insurance Corporation of India	652,193	99.66	65,219,300
The International Agencies Company Limited, Bahrain	2,200	0.33	220,000
	654,393	100	65,439,300

18. Statutory reserve

As required by the Bahrain Commercial Companies Law and Company's Articles of Association, 10% of the profit for the year should be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law. During the year, BD 240,061 has been transferred to this reserve (2024: BD 920,262).

19. Contingency fund reserve

As per Article 20 of the Oman Insurance Companies Law 1979 and article 10 (bis) (3) (b) to the executive by-law issued by Capital Market Authority (CMA) vide administrative decision no. 19/2007 dated 4 June 2007, an amount equal to 1% of the net premiums for the year is to be transferred to a contingency reserve. The fund is not available for distribution, without prior approval of the CMA. No transfer has been made to this reserve during the year since Oman operations were ceased and Company de-registered Oman operation in the year 2024.

20. Reinsurance reserve

As required by CBUAE (Article 34 of the Insurance Authority's Board of Directors' Decision No. (23) of 2019), insurance companies are required to allocate 0.5% of total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the company or default in its financial position. These provisions shall be accumulated year after year and may not be disposed of without the written approval of the Director General.

In compliance with this regulation, during the year BD 3,507 has been transferred from retained earnings and recorded under equity as a Reinsurance Reserve. (2024: BD18,991)

21. Insurance revenue

The following tables present an analysis of the insurance revenue recognised in the year.

	31 December 2025		
	GMM	VFA	Total
	BD	BD	BD
Amounts relating to the changes in the liability for remaining coverage			
– Expected insurance service expenses incurred in the year	4,205,381	162,749	4,368,130
– Change in the risk adjustment for nonfinancial risk	69,288	2,840	72,128
– Amount of CSM recognised in profit or loss	2,247,806	20,564	2,268,370
Amounts relating to recovery of insurance acquisition cash flows	6,522,475	186,153	6,708,628
– Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	272,303	63,152	335,455
Insurance revenue	6,794,778	249,305	7,044,083
	31 December 2024		
	GMM	VFA	Total
	BD	BD	BD
Amounts relating to the changes in the liability for remaining coverage			
– Expected insurance service expenses incurred in the year	4,872,730	61,169	4,933,899
– Change in the risk adjustment for nonfinancial risk	91,007	2,007	93,014
– Amount of CSM recognised in profit or loss	2,764,655	1,458	2,766,113
Amounts relating to recovery of insurance acquisition cash flows	7,728,392	64,634	7,793,026
– Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	239,086	6,024	245,110
Insurance revenue	7,967,478	70,658	8,038,136

Expected recognition of the contractual service margin, an analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table (number of years until expected to be recognised).

	1 year BD	2 year BD	3 year BD	4 year BD	5 year BD	>6 year BD	Total BD
31 December 2025							
Total CSM for insurance contracts	911,172	733,262	673,150	587,786	537,413	6,160,832	9,603,615
Total CSM for reinsurance contracts	57,211	49,563	42,481	34,665	29,989	300,514	514,423
31 December 2024							
Total CSM for insurance contracts	<u>2,276,706</u>	<u>988,298</u>	<u>814,803</u>	<u>748,857</u>	<u>636,676</u>	<u>7,226,984</u>	<u>12,692,324</u>
Total CSM for reinsurance contracts	<u>30,945</u>	<u>29,868</u>	<u>28,603</u>	<u>27,486</u>	<u>25,655</u>	<u>401,190</u>	<u>543,747</u>

22. Insurance finance expenses for insurance contracts issued

	31 December 2025	31 December 2024
	BD	BD
Insurance finance expenses for insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions	20,486,558	27,422,023
Interest accreted to insurance contracts using locked-in rate	279,778	(55,894)
Due to changes in interest rates and other financial assumptions	(6,859,762)	(15,905,181)
Total insurance finance expenses for insurance contracts issued	13,906,574	11,460,948
Represented by:		
Amounts recognised	18,224,506	19,226,833
Amounts recognised in OCI	(4,317,932)	(7,765,885)

23. Realised income from investments, net

	31 December 2025	31 December 2024
	BD	BD
Interest income, gross	25,683,346	27,839,963
Dividends income	127,529	132,007
(Loss)/gain on sale of investments	953,854	(712,823)
Expense on investment	(1,585,289)	(2,470,199)
Custodian fees paid to Munich Re	(1,054,451)	(1,221,842)
	24,124,989	23,567,106

24. Other income

	31 December 2025	31 December 2024
	BD	BD
Interest on policy loans	465,894	456,954
Others	40,553	37,094
	506,447	494,048

25. Financial assets and liabilities and risk management

The Company's principal financial instruments comprise of bank balances, term deposits with banks, statutory deposits, reinsurance contracts assets, accrued interest income, policy loans, other assets, investments, Insurance contract liabilities, amounts due to related parties and other liabilities. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The risk associated with financial instruments and the Company's approach to managing such risks are described as follows:

25.1 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize Shareholders value.

Equity comprises share capital, statutory reserve, contingency reserve, investments fair value reserve, insurance finance reserve, reinsurance reserve and accumulated losses and is measured at BD118,009,896 as at 31 December 2025 (2024: BD 111,012,682).

The Board policy is to maintain an acceptable reserve for the Company so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company uses the available financial surplus by investing in low risk investments whilst achieving acceptable returns for the Company. The CBB regulations require minimum capital of BD5,000,000 to be maintained at all times. Any shortfall in capital is bridged by additional contribution of capital by the shareholders. As at 31 December 2025, the solvency ratio is well above the minimum regulatory requirement of 100%.

The Company's regulatory capital base and the solvency margin have been calculated in accordance with the guidelines of CBB Rule book Volume 3 applicable to Insurance as follows:

	31 December 2025	31 December 2024 (Modified)
	BD	BD
Tier 1 capital	81,310,931	85,083,339
Tier 2 capital	1,042,394	1,370,869
Deductions from capital	(14,981,880)	(37,519,019)
Regulatory capital (A)	<u>67,371,445</u>	<u>48,935,189</u>
Solvency margin requirement (B)	<u>17,247,259</u>	<u>18,069,422</u>
Excess solvency margin (A-B)	<u>50,124,186</u>	<u>30,865,767</u>
Solvency ratio (A/B)	391%	271%

The issued share capital which is classified as a part of tier 1 capital is above minimum tier 1 capital requirement of BD5,000,000 as per section CA – 1.2.1 of CBB rulebook volume 3.

25.2 Insurance risk management

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability over the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and age group. Underwriting limits are in place to enforce appropriate risk selection criteria.

25. Financial assets and liabilities and risk management (continued)

Concentration of risk

The Company monitors insurance risk per class of business. An analysis of the Company's insurance risk concentration (both before and after reinsurance) per class of business and by region is provided in the following tables.

Concentration by country	31 December 25			31 December 24		
	Non-linked business	Linked business	Total	Non-linked business	Linked business	Total
	BD	BD	BD	BD	BD	BD
UAE(Gross)	247,388,232	9,763,836	257,152,068	261,971,725	3,804,946	265,776,671
UAE(Reinsurance)	(139,499)	-	(139,499)	(116,539)	-	(116,539)
Bahrain& Others (Gross)	142,620,559	2,199,036	144,819,595	162,663,813	1,227,142	163,890,955
Reinsurance	(126,972)	-	(126,972)	(24,664)	-	(24,664)
Total	389,742,320	11,962,872	401,705,192	424,494,335	5,032,088	429,526,423

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on Insurance Contract liability which may have impact on the profitability:

	31 December 2025			
	Gross	Net	Gross Impact	Net Impact
	BD ('000)	BD ('000)	BD ('000)	BD ('000)
<u>Base</u>	401,972	401,706	0.00	0.00
<u>Mortality loaded by 15%</u>	402,969	402,642	997	936
<u>Mortality reduced by 20%</u>	400,544	400,360	(1,428)	(1,346)
<u>Expense loaded by 10% and inflation + 1%</u>	403,178	402,912	1,206	1,206
<u>Mortality + 0.15% In year 1</u>	402,214	401,933	242	227
<u>YC + 1%</u>	383,617	383,412	(18,355)	(18,294.00)
<u>YC - 1%</u>	422,461	422,121	20,489	20,415
<u>RA loaded by 10%</u>	402,062	401,791	90	85
<u>RA reduced by 10%</u>	401,881	401,619	(91)	(87)

	31 December 2024			
	Gross	Net	Gross Impact	Net Impact
	BD ('000)	BD ('000)	BD ('000)	BD ('000)
<u>Base</u>	429,668	429,526	-	-
<u>Mortality loaded by 15%</u>	430,776	430,633	1,108	1,106
<u>Mortality reduced by 20%</u>	428,120	427,982	(1,548)	(1,544)
<u>Expense loaded by 10% and inflation + 1%</u>	431,186	431,045	1,519	1,519
<u>Mortality + 0.15% in year 1</u>	429,910	429,769	243	242
<u>YC + 1%</u>	407,677	407,597	(21,991)	(21,930)
<u>YC - 1%</u>	454,768	454,554	25,101	25,028
<u>RA loaded by 10%</u>	429,725	429,583	57	57
<u>RA reduced by 10%</u>	429,611	429,470	(57)	(57)

25. Financial assets and liabilities and risk management (continued)

25.3 Reinsurance risk management

Reinsurance risk is the risk, other than financial risk, transferred insurance contract issued by one insurer to compensate another insurer for one or more contracts issued by the cedant.

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

Reinsurance contracts ceded do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies the Company obtains reinsurance through financially sound reinsurers, being Swiss Reinsurance Company and Munich Reinsurance Company.

25.4 Claim development

Disclosure about claims development has not been presented since uncertainty about the amount and timing of claims payments is typically resolved within one year.

25.5 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments foreign currency denominated financial instruments and interest bearing financial instruments.

25.6 Fair value and price risk management

Fair value risk is the risk that the fair values of investment securities decrease as the result of changes in the levels of individual prices. Price risk arises from the change in fair values of investment securities.

The Company is exposed to other price risk in respect of its listed equity and debt securities recorded Investments. The Company manages price risk through diversification.

The Company is exposed to fair value risks arising from investment securities. Investment securities are held for strategic rather than trading purposes. The Company does not actively trade in these investment securities.

25. Financial assets and liabilities and risk management (continued)

25.7 Currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated in Bahraini Dinars, United States Dollars, United Arab Emirates Dirhams, Saudi Arabian Riyals, Omani Riyals, Qatari Riyals, Kuwaiti Dinars and Indian Rupees. As the Bahraini Dinar, United Arab Emirates Dirham, Omani Riyal, Qatari Riyal and Saudi Arabian Riyal are effectively pegged to the United States Dollar, balances in these currencies are not considered to represent a significant currency risk. However, balances denominated in Indian Rupees and Kuwaiti Dinars are exposed to movements in exchange rate.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2025 BD	2024 BD	2025 BD	2024 BD
United States Dollars	501,767,780	523,025,190	6,524,665	6,778,915
Indian Rupees	951,525	1,056,695	-	-
Saudi Riyals	292,955	342,011	8,844	8,844
Oman Riyals	182,386	241,375	-	-
United Arab Emirates - Dirhams	15,139,038	14,585,394	9,501,998	3,594,086
Kuwaiti Dinars	1,561,374	1,103,800	296,893	254,499
Qatari Riyals	305,647	205,089	-	-
	520,200,705	540,559,554	16,332,400	10,636,344

Foreign currency sensitivity analysis

The Company is mainly exposed to currency risk with respect to the Indian Rupee and Kuwaiti Dinar.

The following table details the Company's sensitivity to a 10% increase in the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar considered separately. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit (and a negative number indicates a decrease in profit) where the Indian Rupee and Kuwaiti Dinar strengthens 10% against the Bahraini Dinar. For a 10% weakening of the Indian Rupee and Kuwaiti Dinar against the Bahraini Dinar, there would be an equal and opposite impact on the profit.

	31 December 2025 BD	31 December 2024 BD
Impact on:		
Indian Rupee (a)	95,153	105,670
Kuwaiti Dinar - net (b)	126,448	84,930

(a) This is mainly attributable to the exposure outstanding on Indian Rupee receivables at year end in the Company.

(b) This is mainly attributable to the net exposure outstanding on Kuwaiti Dinar at year end in the Company.

25. Financial assets and liabilities and risk management (continued)

25.8 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's term deposits with banks are at fixed interest rates with variable maturity periods. Investments in bonds are at fixed and floating interest rates and include both government and other bonds. The Company holds most of these bonds to maturity and the accounting policy for amortized cost investments. Thus repricing, in respect of fixed rate financial instruments, only occurs when funds are being reinvested on maturity of a deposit or bond.

25.9 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages credit risk with respect to receivables from policyholders by monitoring in accordance with defined policies and procedures which are secured against the policies issued. Credit risk with respect to reinsurance companies is not considered to be significant.

The credit risk in respect of financial assets at FVOCI – debt instruments are managed by investing in debt instruments issued by the issuers with good credit ratings.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities or customers.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings.

Overall exposure to credit risk

The carrying value of financial assets at the reporting date represents the Company's maximum exposure to credit risk on financial assets as summarised below:

	31 December 2025		31 December 2024	
	BD Balances	BD Maximum Exposure	BD Balances	BD Maximum Exposure
Cash and cash equivalents	36,210,714	36,209,119	14,674,538	14,674,238
Investments at amortised cost	357,748,235	357,748,235	375,260,672	375,260,672
Investments at FVOCI	9,999,086	9,999,086	10,061,620	10,061,620
Investments at FVTPL	92,705,307	66,252,623	80,438,173	65,753,191
Term deposits with banks	11,578,128	11,578,128	48,238,264	48,238,264
Prepayments and other assets	111,220	106,570	94,860	83,413
	508,352,690	481,893,761	528,768,127	514,071,398

25.10 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit down grades, which may cause certain sources of funding to dry up immediately.

To mitigate the risk, management ensures it has access to diversified funding sources and assets are managed with liquidity in mind, thereby maintaining a healthy balance of cash and cash equivalents to meet any unexpected liquidity needs. The management of the Company also manages the maturities of the Company's financial assets and financial liabilities in such a way so as to be able to maintain an adequate liquidity ratio.

25. Financial assets and liabilities and risk management (continued)

The following table summarises the maturity profile of financial assets and financial liabilities based on remaining undiscounted cashflows. Non-financial assets and liabilities are presented based on expected cashflows.

31 December 2025	Less than 1 year	More than 1 year	Total
	BD	BD	BD
Assets			
Intangible assets		3,192	3,192
Furniture and equipment		45,968	45,968
Investments	70,201,933	390,250,695	460,452,628
Policy loans		4,198,516	4,198,516
Reinsurance contract assets	266,471		266,471
Accrued interest income	8,324,057	-	8,324,057
Prepayments and other assets	111,220	-	111,220
Statutory deposits	595,563	49,549	645,112
Term deposits with banks	895,519	10,682,609	11,578,128
Cash and cash equivalents	36,210,714	-	36,210,714
Total assets	116,605,477	405,230,529	521,836,006
Liabilities			
Employees' end-of-service indemnity		29,009	29,009
Amounts due to related parties	68,052	-	68,052
Insurance contract liabilities	57,843,699	344,127,964	401,971,663
Zakat and tax provisions	315,340	277,470	592,810
Other liabilities	1,164,576	-	1,164,576
Total liabilities	59,391,667	344,434,443	403,826,110
31 December 2024			
	Less than 1 year	More than 1 year	Total
	BD	BD	BD
Assets			
Intangible assets	-	16,297	16,297
Furniture and equipment	-	37,606	37,606
Right-of-use assets	-	5,133	5,133
Investments	14,454,074	451,306,391	465,760,465
Policy loans	-	4,447,090	4,447,090
Reinsurance contract asset	141,203	-	141,203
Accrued interest income	8,598,722	-	8,598,722
Prepayments and other assets	94,860	-	94,860
Statutory deposits	593,348	55,078	648,426
Term deposits with banks	37,555,655	10,882,609	48,238,264
Cash and cash equivalents	14,674,538	-	14,674,538
Total assets	76,112,400	466,550,204	542,662,604
Liabilities			
Employees' end-of-service indemnity	-	30,138	30,138
Lease liabilities	5,945	-	5,945
Amounts due to related parties	84,884	-	84,884
Insurance contract liabilities	55,090,717	374,576,909	429,667,626
Zakat and tax provisions	552,056	237,483	789,539
Other liabilities	1,071,790	-	1,071,790
Total liabilities	56,805,392	374,844,530	431,649,922

25. Financial assets and liabilities and risk management (continued)

25.11 Fair value measurements

Valuation methods and assumptions

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.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same or other valuation models.

Set out below is an overview of the financial instruments held by the Company as at 31 December 2025 and 31 December 2024:

	31 December 2025			
	Financial assets at FVOCI BD	Financial assets at FVTPL BD	Amortised cost BD	Total BD
Financial assets				
Statutory deposits			645,112	645,112
Investments	9,999,086	92,705,307	357,748,235	460,452,628
Policy loans			4,198,516	4,198,516
Reinsurance contract assets			266,471	266,471
Term deposits with banks			11,578,128	11,578,128
Accrued interest income			8,324,057	8,324,057
Other assets			106,570	106,570
Bank balances			36,209,119	36,209,119
	9,999,086	92,705,307	419,076,208	521,780,601

Financial liabilities measured at amortised cost:

	31 December 2025 BD
Amounts due to related parties	68,435
Insurance contract liabilities	401,971,663
Other liabilities	1,164,576
	403,204,674

	31 December 2024			
	Financial assets at FVOCI BD	Financial assets at FVTPL BD	Amortised cost BD	Total BD
Financial assets				
Statutory deposits	-	-	648,426	648,426
Investments	10,061,620	80,438,173	375,260,672	465,760,465
Policy loans	-	-	4,447,090	4,447,090
Reinsurance contracts assets	-	-	141,203	141,203
Term deposits with banks	-	-	48,238,264	48,238,264
Accrued interest income	-	-	8,598,722	8,598,722
Other assets	-	-	83,413	83,413
Bank balance	-	-	14,674,236	14,674,236
	10,061,620	80,438,173	452,092,026	542,591,819

Financial liabilities measured at amortised cost:

	31 December 2024 BD
Amounts due to related parties	84,884
Insurance contract liabilities	429,667,626
Other liabilities	1,071,790
	430,824,300

25. Financial assets and liabilities and risk management (continued)

25.12 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2025			
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Investments at FVOCI				
Banking industry	8,888,214	-	-	8,888,214
Government sector	752,100	-	-	752,100
Others	358,772	-	-	358,772
	9,999,086	-	-	9,999,086
Investments at FVTPL				
Banking industry	19,812,474	-	-	19,812,474
Oil and gas industry	69,573	-	-	69,573
Government sector	37,496,111	-	-	37,496,111
Real estate industry	57,727	-	-	57,727
Others	34,062,805	1,206,617	-	35,269,422
	91,498,690	1,206,617	-	92,705,307
	101,497,776	1,206,617	-	102,704,393
31 December 2024				
	Level 1	Level 2	Level 3	Total
	BD	BD	BD	BD
Investments at FVOCI				
Banking industry	8,700,294	-	-	8,700,294
Government sector	738,075	-	-	738,075
Others	623,251	-	-	623,251
	10,061,620	-	-	10,061,620
Investments at FVTPL				
Banking industry	19,729,443	-	-	19,729,443
Oil and gas industry	864,289	-	-	864,289
Government sector	36,256,224	-	-	36,256,224
Real estate industry	39,598	-	-	39,598
Others	22,326,277	1,222,342	-	23,548,619
	79,215,831	1,222,342	-	80,438,173
	89,277,451	1,222,342	-	90,499,793

25. Financial assets and liabilities and risk management (continued)

25.12 Fair value hierarchy (continued)

The date of valuation was 31 December 2025 for the current year and 31 December 2024 for the comparative year respectively.

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2 fair value hierarchies, and no transfers into or out of Level 3 fair value hierarchy (2024: No transfers).

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed securities

All the listed equity securities are denominated in Bahraini Dinars and are publicly traded in Bahrain. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Listed bonds

The fair value of the Company's investments in bonds has been determined by reference to their quoted bid prices at the reporting date. All bonds are publicly traded in Bahrain. Gains and losses are recorded within 'other financial items'.

c) Unlisted mutual funds

The fair values of these mutual funds are based on the net asset value provided by the fund manager.

26. Geographical concentration of investments

26.1 Financial assets at amortised cost

	31 December 2025 BD	31 December 2024 BD
BRICS countries	38,795,426	45,069,949
Developed countries	80,707,050	85,098,068
Other countries	238,245,759	245,092,655
	<u>357,748,235</u>	<u>375,260,672</u>

26.2 Financial assets at FVOCI

	31 December 2025 BD	31 December 2024 BD
BRICS countries	1,910,457	1,870,873
Developed countries	1,283,717	1,281,475
Other countries	6,804,912	6,909,272
	<u>9,999,086</u>	<u>10,061,620</u>

26. Geographical concentration of investments (continued)

26.3 Financial assets at FVTPL

	31 December 2025 BD	31 December 2024 BD
BRICS countries	16,132,153	12,770,815
Developed countries	9,896,919	8,970,169
Other countries	66,676,235	58,697,189
	<u>92,705,307</u>	<u>80,438,173</u>

27. Contingencies and commitments

27.1 Commitments

	31 December 2025 BD	31 December 2024 BD
	<u>7,253</u>	<u>7,253</u>

27.2 Contingencies

During the year 2025, the Company involved in a legal proceeding relating to labor case, arising in the ordinary course of business. The claimant filed a claim of BD 40,400.

Based on management's assessment and after obtaining independent legal advice, it is not expected that above matter will have a material adverse impact on the financial position of the Company. Accordingly, no provision has been recognized in respect of above matter.

The Deputy Director of Income Tax (Investigation), DDIT (Inv.) 1(2), Ahmedabad, has flagged a case alleging that income amounting to ₹58,63,873/- was transferred to the Company from two sources which have not been declared in the Income Tax Return filed in India. The said amounts were in fact not received by the Company & do not reflect in the Company's bank account held in India. The Company is in the process of going in appeal against the order as suggested by the Company's tax consultant. Based on management's assessment, the likelihood of an Income Tax liability arising from this matter is considered remote. Accordingly, no provision has been made in the books of accounts.

28. Post- reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

29. Comparative figures

Comparative figures for the previous period have been reclassified/ re-arranged wherever necessary to conform with the presentation in the current year's financial statements.

30. Life Insurance corporation group information

Life Insurance Corporation of India's Group financial information can be accessed at www.licindia.in.

