الإسـلامـيـة للتـأمـيـن
Islamic Insurance

Qatar Islamic Insurance Group Q.P.S.C.

Condensed Consolidated Interim Financial Information

**For the three month period ended
31 March 2025**

مجموعة الإسلامية القطرية للتأمين (شركة مساهمة عامة قطرية) - سجل تجاري رقم ١٦٥٨٤- ص.ب : ٢٢٦٧٦ الدوحة - قطر - رأس المال ١٥٠ مليون ريال قطري مدفوع بالكامل
Qatar Islamic Insurance Group - Q.P.S.C. - C.R. No. 16584 - P.O.Box: 22676 Doha, Qatar Phone: +974 4465 88 88 - Fax: 4455 0111 - qiic@qiic.com.qa - www.qiic.com.qa

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of financial position
As at 31 March 2025

In Qatari Riyals

	31 March 2025 (Un-reviewed)	31 December 2024 (Restated & Un-audited)	31 December 2023 (Restated & Un-audited)
Policyholders' assets			
Cash and bank balances	**72,359,709**	98,757,616	129,280,321
Takaful arrangements assets	**10,140,538**	4,567,420	838,672
Re-takaful arrangements assets	**241,483,323**	239,247,421	261,407,686
Investments at fair value through equity	**48,644,117**	51,563,843	50,810,156
Investments at fair value through income statement	**29,704,743**	26,791,530	6,720,702
Investment properties	**94,699,300**	94,699,300	98,421,071
Prepayments and other assets	**34,775,182**	37,866,556	39,255,095
Investment in associates	**1,742,204**	1,742,204	1,742,204
Property and equipment	**4,037,873**	27,228,766	24,495,940
Right-of-use assets	**27,462,909**	4,065,342	4,175,216
Total policyholders' assets	**565,049,898**	586,529,998	617,147,063
Shareholders' assets			
Cash and bank balances	**357,588,011**	404,861,054	348,078,931
Investments at fair value through equity	**7,701,319**	8,072,685	7,932,139
Investments at fair value through income statement	**24,097,943**	21,233,570	6,133,001
Investment properties	**104,537,809**	104,537,809	109,834,093
Investment in associates	**102,384,846**	103,789,775	96,216,539
Property and equipment	**9,418,724**	9,418,724	9,418,724
Right-of-use assets	**4,302,049**	4,428,583	4,934,720
Total shareholders' assets	**610,030,701**	656,342,200	582,548,147
Total assets	**1,175,080,599**	1,242,872,198	1,199,695,210

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of financial position (continued)
As at 31 March 2025

In Qatari Riyals

	31 March 2025 (Un-reviewed)	31 December 2024 (Restated & Un-audited)	31 December 2023 (Restated & Un-audited)
Policyholders' liabilities			
Takaful arrangements liabilities	**437,973,830**	502,170,893	452,992,494
Re-takaful arrangements liabilities	**34,786**	13,717	-
Payables and other liabilities	**322,539**	-	-
Unclaimed surplus	**17,769,740**	14,025,004	17,888,432
Total policyholders' liabilities	**456,100,895**	516,209,614	470,880,926
Policyholders' equity			
Fair value reserve	**6,458,402**	8,986,364	7,910,461
Real estate reserve	**12,351,795**	12,351,795	13,435,430
Foreign currency reserve for investments at fair value through equity	**(4,439,440)**	(4,238,613)	(4,129,999)
Retained surplus	**94,578,246**	53,220,838	129,050,245
Total policyholders' equity	**108,949,003**	70,320,384	146,266,137
Total policyholders' equity and liabilities	**565,049,898**	586,529,998	617,147,063
Shareholders' liabilities			
Unclaimed dividends	**10,497,955**	10,497,955	15,906,940
Ijarah liabilities	**339,559**	464,438	912,129
Payables and other liabilities	**36,728,866**	51,763,105	35,889,136
Total shareholders' liabilities	**47,566,380**	62,725,498	52,708,205
Shareholders' equity			
Share capital	**150,000,000**	150,000,000	150,000,000
Legal reserve	**150,000,000**	150,000,000	150,000,000
General reserve	**1,540,888**	1,540,888	1,540,888
Foreign currency reserve for investments at fair value through equity	**(4,439,437)**	(4,238,610)	(4,129,996)
Fair value reserve	**188,413**	258,392	(303,382)
Real estate reserve	**9,470,971**	9,470,971	11,251,667
Reserve for share of profit from associates	**20,788,933**	20,788,933	13,215,697
Retained earnings	**234,914,553**	265,796,128	208,265,068
Total shareholders' equity	**562,464,321**	593,616,702	529,839,942
Total shareholders' liabilities and equity	**610,030,701**	656,342,200	582,548,147
Total policyholders' and shareholders' liabilities and equity	**1,175,080,599**	1,242,872,198	1,199,695,210

This condensed consolidated interim financial information was approved by the Group's Board of Directors on 30 April 2025 and signed on their behalf by:

Mr. Jamal Abdulla Al Jamal
Chairman

Mr. Ali Ibrahim Al Abdulghani
Group President

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of policyholders' revenues and expenses
For the three month period ended 31 March 2025 In Qatari Riyals

	For the three month period ended 31 March	
	2025	2024
	(Un-reviewed)	(Restated & Un-reviewed)
Recognised takaful contributions	**145,829,355**	129,039,366
Recognised takaful costs	**(81,819,809)**	(126,936,823)
Re-takaful net results	**(14,445,626)**	(41,106,263)
Takaful gross margin	**49,563,920**	(39,003,720)
Amortisation of deferred cost (related to provision of takaful arrangements)	**(7,032,670)**	(5,353,989)
Amortisation of deferred income (related to provision of re-takaful arrangements)	**2,976,988**	2,805,147
Net amortisation of deferred cost	**(4,055,682)**	(2,548,842)
Net takaful result	**45,508,238**	(41,552,562)
Net investment income	**4,236,088**	4,098,783
Depreciation of right-of-use assets	**(27,469)**	(27,469)
Mudarib fees	**(3,388,870)**	(3,279,026)
Fair value loss on investment at fair value through income statement	**196,525**	(220,381)
Other expenses	**(597,408)**	(636,207)
Net surplus/ (deficit) for the period	**45,927,104**	(41,616,862)

Condensed consolidated statement of policyholders' surplus
For the three month period ended 31 March 2025

In Qatari Riyals

	For the three month period ended 31 March	
	2025	2024
	(Un-reviewed)	(Restated & Un-reviewed)
Retained surplus at the beginning of the year (as previously reported)	-	137,872,810
Effect of restatement	-	(8,822,565)
Retained surplus at the beginning of the year	**53,220,838**	129,050,245
Net surplus/ (deficit) for the period	**45,927,104**	(41,616,862)
Total surplus at the end of the period	**99,147,942**	87,433,383
Distribution to policyholders during the period	**(4,569,696)**	(4,664,927)
Retained surplus balance at the end of the period	**94,578,246**	82,768,456

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of shareholders' income
For the three month period ended 31 March 2025

In Qatari Riyals

	For the three month period ended 31 March	
	2025 (Un-reviewed)	2024 (Un-reviewed)
Revenues		
Shareholders' investments revenues	**2,770,047**	3,089,640
Share of profits of associates	**125,071**	-
Wakala fees	**48,368,758**	57,625,729
Rental income	**1,515,425**	1,553,100
Shareholders' mudaraba fees for managing investment portfolio of policyholders	**3,388,870**	3,279,026
Other income	**269,414**	54,161
Total revenues	**56,437,585**	65,601,656
Expenses		
Depreciation of right-of-use assets	**(126,535)**	(126,535)
Amortisation of deferred Ijarah costs	**(4,038)**	(8,950)
General and administrative expenses	**(12,314,972)**	(19,558,506)
Impairment loss on investment at fair value through equity	**(21,300)**	-
Fair value loss on investment at fair value through income statement	**147,685**	(198,167)
Reserve on investment properties	**-**	(700,000)
Board of directors' remuneration	**-**	(2,000,000)
Total expenses	**(12,319,160)**	(22,592,158)
Net income for the period	**44,118,425**	43,009,498
Basic and diluted earnings per share (QR)	**0.29**	0.29

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of shareholders' comprehensive income
For the three month period ended 31 March 2025

In Qatari Riyals

	For the three month period ended 31 March	
	2025 (Un-reviewed)	2024 (Un-reviewed)
Net income for the period	**44,118,425**	43,009,498
Other comprehensive income		
Items that may not be subsequently classified to condensed consolidated statement of shareholders' income		
Fair value changes of equity-type investments at fair value through equity	**(64,615)**	498,201
Items that may be subsequently classified to condensed consolidated statement of shareholders' income		
Fair value changes of debt-type investments at fair value through equity	**(5,364)**	13,047
Exchange differences arising on translation of foreign equity investments	**(200,827)**	-
Total other comprehensive (loss) / income for the period	**(270,806)**	511,248
Total comprehensive income for the period	**43,847,619**	43,520,746

Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of changes in shareholders' equity
For the three month period ended 31 March 2025

In Qatari Riyals

	Share capital	Legal reserve	General reserve	Fair value reserve	Foreign currency reserve for investments at fair value through equity	Real estate reserve	Reserve for share of profits from associates	Retained earnings	Total
Balance as at 1 January 2025	**150,000,000**	**150,000,000**	**1,540,888**	**258,392**	**(4,238,610)**	**9,470,971**	**20,788,933**	**265,796,128**	**593,616,702**
Net income for the period	-	-	-	-	-	-	-	**44,118,425**	**44,118,425**
Other comprehensive income	-	-	-	**(69,979)**	**(200,827)**	-	-	-	**(270,806)**
Total comprehensive income for the period	-	-	-	**(69,979)**	**(200,827)**	-	-	**44,118,425**	**43,847,619**
Dividends paid (Note 18)	-	-	-	-	-	-	-	**(75,000,000)**	**(75,000,000)**
Balance as at 31 March 2025 (Un-reviewed)	**150,000,000**	**150,000,000**	**1,540,888**	**188,413**	**(4,439,437)**	**9,470,971**	**20,788,933**	**234,914,553**	**562,464,321**
Balance as at 1 January 2024	150,000,000	150,000,000	1,540,888	(303,382)	(4,129,996)	11,251,667	13,215,697	208,265,068	529,839,942
Net income for the period	-	-	-	-	-	-	-	43,009,498	43,009,498
Other comprehensive income	-	-	-	511,248	-	-	-	-	511,248
Total comprehensive income for the period	-	-	-	511,248	-	-	-	43,009,498	43,520,746
Dividends paid (Note 18)	-	-	-	-	-	-	-	(75,000,000)	(75,000,000)
Balance as at 31 March 2024 (Un-reviewed)	150,000,000	150,000,000	1,540,888	207,866	(4,129,996)	11,251,667	13,215,697	176,274,566	498,360,688

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Qatar Islamic Insurance Group Q.P.S.C.

Condensed consolidated statement of cash flows
For the three month period ended 31 March 2025

In Qatari Riyals

	For the three month period ended 31 March	
	2025	2024
	(Un-reviewed)	(Restated & Un-reviewed)
Cash flows from operating activities		
Net income for the period	**44,118,425**	43,009,498
Policyholders' surplus /(deficit) for the period	**45,927,104**	(41,616,862)
	90,045,529	1,392,636
Adjustments for:		
Depreciation of property and equipment	**371,686**	406,801
Depreciation of right-of-use assets	**154,004**	154,004
Amortisation of deferred Ijarah cost	**4,038**	8,950
Net realised gain on sale of investment at fair value through equity	**(2,154)**	(41,908)
Share of profit from associates	**(125,071)**	-
Provision for employees' end of service benefits	**1,701,015**	244,933
Impairment for investment at fair value through equity	**133,626**	-
Fair value gain on investment at fair value through income statement	**(344,210)**	418,548
Fair value loss on investment properties	**550,000**	1,400,000
Operating profit before working capital changes	**92,488,463**	3,983,964
Changes in:		
Takaful arrangements assets	**(5,573,118)**	(688,199)
Retakaful arrangements assets	**(2,235,902)**	(8,791,747)
Prepayments and other assets	**3,091,374**	943,474
Takaful arrangements liabilities	**(64,197,063)**	16,700,326
Retakaful arrangements liabilities	**21,069**	6,900
Payables and other liabilities	**(16,962,716)**	(3,925,035)
Cash from operating activities	**6,632,107**	8,229,683
Employees' end of service benefits paid	**-**	(456,068)
Finance costs paid	**(4,038)**	(8,950)
Net cash generated from operating activities	**6,628,069**	7,764,665
Cash flows from investing activities		
Acquisition of property and equipment	**(605,829)**	(5,762)
Purchase of investments at fair value through income statement	**(7,032,716)**	(21,196,094)
Proceeds from sales of investments at fair value through equity	**160,024**	119,704
Proceeds from sale of investments at fair value through income statement	**1,599,340**	727,631
Net movement in investment deposits	**307,741**	22,913,602
Dividends received from associates	**1,530,000**	9,530,000
Net cash (used in) / generated from investing activities	**(4,041,440)**	12,089,081
Cash flows from financing activities		
Surplus distributed to policyholders	**(824,961)**	(3,340,790)
Payment of principal portion of Ijarah liabilities	**(124,878)**	(80,901)
Dividends paid	**(75,000,000)**	(75,011,888)
Net cash used in financing activities	**(75,949,839)**	(78,433,579)
Net movement in cash and cash equivalents	**(73,363,210)**	(58,579,833)
Cash and cash equivalents at 1 January	**139,285,495**	90,211,705
Cash and cash equivalents at 31 March	**65,922,285**	31,631,872

1. Incorporation and activities

Qatar Islamic Insurance Group (Q.P.S.C.) ('the Parent Company") was incorporated in the State of Qatar on 30 October 1993 as a closed Qatari shareholder company under Qatar Companies Law No. 11 of 1981 under Commercial Registration No. 16584. On 12 December 1999 the Company changed its status to a public listed company and accordingly listed its shares on the Qatar exchange market. The Company's registered address is C Ring Road – opposite Gulf Cinema, P.O. Box: 22676, Doha.

The Parent Company is primarily engaged in the business of underwriting general, property, motor, takaful and health (life) in accordance with the provisions of Islamic Shari'a. The Company also invests its capital and other resources in all related activities.

The Group has incorporated a fully owned subsidiary "Qatar Islamic Real Estate Investment Group" which did not commence its operations as of 31 March 2025.

This condensed consolidated interim financial information was authorized for issue in accordance with a resolution of the Board of Directors on 30 April 2025.

2. Basis of preparation

a) Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with FAS 41 – 'Interim Financial Reporting'. For matters that are not covered by FAS issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Group uses the guidance from the relevant IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The condensed consolidated interim financial information does not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2024. In addition, results for the three-month period ended 31 March 2025 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial investments classified as "investments at fair value through equity", "investment at fair value through income statement" and investment properties which are measured at fair value.

The condensed consolidated interim financial information is presented in Qatari Riyals ("QR"), which is the Group's functional and presentational currency, and all values are rounded to the nearest QR.

b) Significant accounting judgment, estimates and assumptions

The preparation of the condensed consolidated interim financial information in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2024 except below:

2. Basis of preparation (continued)

b) Significant accounting judgment, estimates and assumptions (continued)

i. Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. The assumptions will be based on internal historical claims experience as well as external data (benchmarks) to reflect the current claims and economic environment.

These assumptions will also reflect expected future developments such as inflation trends or changes in legislation when these have a material chance of materialising.

Cash flows within the boundary of an arrangement are those that relate directly to the fulfilment of the arrangement, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) participants, takaful acquisition cash flows and other costs that are incurred in fulfilling arrangements.

ii. Discount rates to arrive at the fair value

The FAS requirement to measure liabilities for Takaful arrangements using current discount rates will be a significant change from the Group's current practice.

Takaful arrangement liabilities are adjusted to represent their fair values by discounting expected future cash flows using yield curves based on the EIOPA USD rates without volatility adjustment. A country risk premium is also added to adjust for Qatar.

a) *Provision for Remaining Entitlement Period (PRE) adjusted for its fair value*

In case the cash outflows are spread over a period of more than one year, and the difference between the total expected cash outflows and their fair value is material, a Takaful operator shall adjust the carrying amount of the provision for remaining entitlement period to its fair value and shall record such difference initially as deferred cost.

For all group measured under Contribution Allocation approach, the difference between the total expected cash outflows and their fair value is not deemed material, therefore no such adjustment is made. While for long term takaful arrangements where Contribution Allocation Approach is not applicable, the required adjustment is applied.

b) *Liability for Incurred Claims for benefits, (LFIC) adjusted for time value of money.*

Under the Contribution Allocation Approach, the Takaful operator is not required to adjust future cash flows for the difference between the total cash flows and the fair value of those cash flows if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

For all businesses, the LFIC is adjusted for its fair value.

iii. Risk adjustments for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty in the amount and timing of the cash flows arising from groups of Takaful arrangements. It reflects a margin that the Group includes in its reserves to account for this uncertainty, ensuring that the fulfilment cash flows are sufficient even under adverse outcomes. The Group has adopted a confidence level of 70% for setting its risk adjustment, which is consistent with its risk appetite and market practice. This means the risk adjustment is calculated as the difference between the 70th percentile of the probability distribution of future cash flows and their mean, following the Value at Risk (VaR) methodology. This level is applied consistently

2. Basis of preparation (continued)

b) Significant accounting judgment, estimates and assumptions (continued)

iii) Risk adjustments for non-financial risk (continued)

across all product lines and includes diversification benefits where appropriate. While the risk adjustment is computed separately for Takaful liabilities and re-Takaful assets, the Group monitors it on a net of re-Takaful basis, aligning with the overall risk profile and financial reporting requirements.

3. Significant accounting policies

Except as described in Note 3.3, the material accounting policies adopted in the preparation of the condensed consolidated interim financial information is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024.

3.1 New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2025

i. FAS 42 - Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Insurance Companies and introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));
c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

ii. FAS 43 – Accounting for Takaful: Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Insurance Companies; FAS 15 – Provisions and Reserves in Islamic Insurance Companies and FAS 19 – Contributions in Islamic Insurance Companies introduces following key changes:

a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;

3. Significant accounting policies (continued)

ii. FAS 43 – Accounting for Takaful: Recognition and Measurement (continued)

b) the principal accounting treatments in respect of Takaful arrangements have been aligned with the globally generally accepted accounting principles and newer regulatory requirements (where applicable);
c) new accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;
d) accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;

e) new definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
f) accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, eg. Accounting for Wakala fees an Qard Hassan.

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

1) A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or
2) A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or
3) A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cashflows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

3.2 New standards, amendments, and interpretations issued but not yet effective

i. FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) promotional gifts where entitlement occurs instantly; b) promotional prizes that are announced in advance to be awarded at a future date and c) loyalty programs where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies

FAS 43 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2025. The Group has restated comparative information for 2024. The nature of the changes in accounting policies can be summarised, as follows:

3.3.1 Changes to classification and measurement

The adoption of FAS 43 did not change the classification of the Group's takaful arrangements.

The Group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, FAS 43 establishes specific principles for the recognition and measurement of takaful arrangements issued and re-takaful arrangements held by the Group.

The Group has applied the Contribution Allocation Approach (CAA) to groups of takaful contracts it issues and groups of re-takaful contracts it holds where the coverage period is 12 months or less. For contracts with a coverage period exceeding 12 months, the Group performed an eligibility assessment to determine the appropriateness of applying to the CAA. Based on this assessment, the CAA was deemed applicable to all such contracts except for Group Credit Life (GCL), which is a long-term contract. Accordingly, the General Measurement Approach (GA) has been applied to GCL.

3.3.2 Takaful and re-Takaful arrangements classification

The Group issues Takaful arrangements in the normal course of business. This includes life and non-life takaful to individuals and businesses. Non-life takaful products include Motor, Marine, Medical, Fire, Engineering, Liability, Energy and General Accident. These products offer protection of participant's assets and indemnification of other parties that have suffered damage because of a participant's accident.

The Group does not issue any arrangements with a direct investment component.

3.3.3 Takaful and re-Takaful arrangements accounting treatment

3.3.3.1 Separating components from takaful and re-Takaful arrangements

The Group assesses its non-life takaful and re-Takaful arrangements to determine whether they contain non-Takaful components which must be accounted for under other relevant FAS instead of under FAS 43. After separating any non-Takaful components, the Group applies FAS 43 to all remaining components of the Takaful arrangement. Currently, the Group's products do not include any non-Takaful components that are distinct and measurable.

3.3.3.2 Level of aggregation

FAS 43 requires the Group to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of arrangements with similar risks which are managed together.

The Group divides a portfolio of issued Takaful arrangements into groups (at the minimum) of:

(i) arrangements that are onerous at initial recognition.
(ii) arrangements that have no significant possibility of subsequently turning into/becoming onerous from inception.
(iii) the remaining arrangements in the portfolio.

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies (continued)

3.3.3.2 Level of aggregation (continued)

Subdivision of groups

A Takaful institution may subdivide the groups based on various levels of profitability or the different possibilities of arrangements turning onerous after initial recognition.

Takaful arrangements shall be included in a different group if issued more than one year apart.

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

- Pricing information
- Loss Ratios, Risk Adjustment.
- Results of similar arrangements it has recognised.
- Environmental factors, e.g., a change in market experience or regulations

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

3.3.3.3 The boundary of a Takaful arrangement

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

- The Group has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflect those risks; or
- Both of the following criteria are satisfied:
    - The Group has the practical ability to reassess the risks of the portfolio of Takaful arrangements that contain the arrangement and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
    - The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date A liability or asset relating to expected contributions or claims outside the boundary of the takaful arrangement is not recognised. Such amounts relate to future Takaful arrangements.

3.3.3.4 Transition Approach

The Group has applied modified retrospective approach for life and non-life business respectively for the transition to FAS 42 and 43.

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies (continued)

3.3.3.5 Recognition

3.3.3.5.1 Timing of Recognition

The Group recognises a takaful arrangement it issues, in the books of PTF, at the earlier of:

a) the date when a participant becomes a member of the PTF (and accordingly becomes entitled to the Takaful benefits in the form of sharing of risks), which may be evidenced through either the payment of contribution or issuance of Takaful arrangement documents or
b) the date when the Takaful arrangement, being part of a group or an unavoidable commitment to the Takaful arrangement, becomes onerous (even if it happens before the date applicable as per paragraph25(a))

The Group adds new arrangements to the group in the reporting period, in which that arrangement meets one of the criteria set out above.

3.3.3.5.2 Initial measurement of the provision for a Takaful arrangement

For a group of arrangements that is not onerous at initial recognition, the Group measures Provision for a Takaful arrangement shall be measured at the total of the following estimates:

a) Takaful fulfilment cash flows, pertaining to PTF, comprising of:

i) an estimate of gross future cash flows (including, and distinguishing, the cash flows related to Wakala fee)
ii) deferred cost being the difference between gross future cash flows (as referred to in (i) above) and their respective fair value of future cash flows (which include adjustment related to the financial risks in so far as the same are not included in (i) above);
iii) risk adjustment for the non-financial risks; and

b) the Takaful residual margin

The Group applies the Contribution Allocation Approach (CAA) to all Takaful and re-Takaful arrangements it issues or holds.

3.3.3.5.3 Initial recognition of Takaful residual margin

The Takaful residual margin shall be measured as the difference of the amount of:

a) Takaful fulfilment cash flows that were initially recognised.
b) any cash flows arising from the Takaful arrangement at that date; and
c) the derecognition of any asset for Takaful acquisition cashflows and any other asset or liability previously recognised relating to the cash flows of the arrangement at the date of initial recognition.

The Takaful residual margin is a component of the provision (or net cost, in case of certain re-Takaful arrangements held) for a Takaful arrangement that represents the unearned surplus (or deficit) that will be recognised over the period of (and where appropriate, according to the pattern of) the participant's entitlement for benefits under the Takaful arrangement.

3.3.3.5.4 Initial recognition of onerous arrangements

A Takaful arrangement is onerous at the date of initial recognition, if the Takaful fulfilment cash flows, any previously recognised Takaful acquisition cash flows and any cash flows arising from the Takaful arrangement at the date of initial recognition, in total are a net outflow and such Takaful arrangement shall be separately classified from the Takaful arrangements that are not onerous

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies (continued)

3.3.3.5 Recognition (continued)

3.3.3.5.5 Subsequent measurement of the provision for a Takaful arrangement

The carrying amount of the provision for a Takaful arrangement at the end of each reporting period shall be the sum of:

a) the provision for the remaining entitlement period comprising of:
   i) the Takaful fulfilment cash flows related to future benefits allocated to the Takaful arrangement at that date.
   ii) the Takaful residual margin of the Takaful arrangement at that date; and

b) the liability for incurred claims, comprising of Takaful fulfilment cash flows related to the past benefits allocated to the Takaful arrangement at that date.

The income and expenses shall be recognised in the statement of financial activities of the managed PTF for the following changes in the carrying amount of the provision for the remaining entitlement period:

a) recognise contribution (as an income) representing the reduction in the provision for the remaining entitlement period because of benefits provided during the period.
b) expenses representing losses (and any reversal of losses) on onerous arrangements; and
c) amortisation (or adjustment) of deferred cost (including any experience adjustment and financial risk elements).

3.3.3.5.6 Subsequent measurement of Takaful residual margin

The carrying amount of the Takaful residual margin of a Takaful arrangement at the end of the reporting period equals the carrying amount at the start of the reporting period adjusted for:

a) the effect of any new arrangements added, in case of accounting being performed collectively for a group.
b) the amortisation of deferred Takaful residual margin over the entitlement period –through a systematic method reflecting the pattern of utilisation of entitlement for benefits.
c) the changes in Takaful fulfilment cash flows relating to future benefits, except:
   i) the increases in the Takaful fulfilment cash flows that exceed the carrying amount of the Takaful residual margin, giving rise to a loss; or
   ii) the decreases in the Takaful fulfilment cash flows that are allocated to the loss component of the provision for the remaining entitlement period.
d) the effect of any currency exchange differences on the Takaful residual margin; and
e) the contribution recognised as income in the statement of financial activities of the managed PTF because of the provision of benefits in the period, determined by the allocation of the Takaful residual margin remaining at the end of the reporting period (before any allocation) over the current and remaining entitlement period.

The Takaful residual margin recognised during the period is taken to the statement of financial activities of the managed PTF.

3.3.3.5.7 Subsequent changes in onerous arrangements

A Takaful arrangement becomes onerous (or more onerous) on subsequent measurement, if the carrying amount (unamortised) of the Takaful residual margin is less than the unfavourable changes in the Takaful fulfilment cash flows allocated to the Takaful arrangement relating to future benefits.
After the recognition of a loss on an onerous arrangement, the subsequent changes in the estimates of Takaful fulfilment cash flows for the remaining entitlement period is allocated on a systematic basis between:

a) the loss component of the provision for remaining entitlement period; and
b) the provision for the remaining entitlement period, excluding the loss component

3. **Significant accounting policies (continued)**

3.3 Changes in significant accounting policies (continued)

3.3.3.5 Recognition (continued)

3.3.3.5.8 Loss component

In connection to onerous arrangements, the loss component is the amount equivalent to the total amount recognised in the statement of financial activities of the managed PTF to date, on initial recognition or subsequent measurement of the Takaful arrangement as onerous (net of any already recognised reversals).

Accordingly, by the end of the entitlement period of the group of arrangements the loss component will be zero.

3.3.3.5.9 Loss-recovery components

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

Upon recovery of recognised losses in subsequent periods, a loss-recovery component of an asset for the remaining entitlement period is correspondingly reversed by the Group.

3.3.3.5.10 Re-takaful arrangements held - initial measurement

A PTF shall recognise an asset (or provision, as the case may be) for re-Takaful arrangements held:

a) if the re-takaful arrangements held provide a proportionate entitlement period –at the beginning of the entitlement period of the re-Takaful arrangement held or at the initial recognition of any underlying Takaful arrangement (whereby in case of underlying onerous arrangement, the corresponding effect shall be immediately recognised), whichever is the later; and
b) in all other cases –from the beginning of the entitlement period of the re-Takaful arrangement held.

A re-Takaful arrangement held that provides proportionate benefits against underlying Takaful arrangements shall not be initially recognised until the date that any underlying Takaful arrangement(s) is initially recognised if that date is later than the beginning of the entitlement period of such re-Takaful arrangement.

The Group measures its re-takaful assets for a group of re-Takaful arrangements that it holds on to the same basis as Takaful arrangements that it issues. However, they are adapted to reflect the features of re-Takaful arrangements held that differ from Takaful arrangements issued.

Where the Group recognises a loss on initial recognition of an onerous underlying Takaful arrangement (or on the addition of an onerous underlying Takaful arrangement to a group), the Takaful residual margin of a related re-takaful arrangement held (to such extent) shall be immediately recognised in the statement of managed financial activities of the managed PTF.

The loss-recovery component adjusts the carrying amount of the Assets for Remaining Entitlement Benefits upon recovery of losses in subsequent periods.

3.3.3.5.11 Re-Takaful arrangements held - subsequent measurement

The Takaful residual margin at the end of the reporting period in respect of re-Takaful arrangements held shall be computed as the carrying amount determined at the start of the reporting period, adjusted for:

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies (continued)

3.3.3.5 Recognition (continued)

3.3.3.5.11 Re-Takaful arrangements held - subsequent measurement (continued)

a. the effect of any new arrangements.
b. amortisation of deferred cost added back to the carrying amount of the Takaful residual margin.
c. changes in the Takaful fulfilment cash flows to the extent that the change:
   i) relates to the future benefit settlement; unless
   ii) it results from a change in the Takaful fulfilment cash flows allocated to the underlying Takaful arrangement that does not adjust the Takaful residual margin for the underlying Takaful arrangement.
d. the effect of any currency exchange differences arising on the Takaful residual margin; and
e. the amount recognised in the statement of financial activities of the managed PTF because of benefits received in the period, determined by the allocation of the Takaful residual margin remaining at the end of the reporting period of the re-Takaful arrangements held.

The subsequent measurement of re-Takaful arrangements held follows the same principles as those for Takaful arrangements issued and has been adapted to reflect the specific features of re-Takaful held.

A re-takaful arrangement held cannot be onerous under the requirements of the applicable standards.

3.3.3.6 Takaful acquisition cash flows

Takaful acquisition cash flows arise from the costs borne by PTF directly attributable to acquisition of a Takaful arrangement.
These include costs initially borne by the PTF e.g. Surveyor's costs, initial medical costs, documentation/ legal charges, tracker or other security devices costs, etc. but do not include:

i) Wakala fee, or
ii) commission (in case it is borne by the Takaful institution against Wakala fee, in line with relevant Sharifah principles and rules, as well as contractual and regulatory requirements3), or
iii) directly related taxes (as these do not constitute part of contributions and are to be recorded directly as a liability)

Under the Contribution allocation approach, where the entitlement period of all arrangements within a group is no longer than one year, takaful acquisition cash flows can either be expensed as incurred or amortized over the entitlement period of the related group. Therefore,for all groups where Contribution allocation approach is applicable, takaful acquisition cash flows, if any, are amortised over the entitlement period of the related group.

For groups containing arrangements longer than one year, takaful acquisition cash flows must be amortised over the entitlement period of the related group.

The asset for takaful acquisition cash flow is derecognised from the consolidated statement of financial position when the takaful acquisition cash flows are included in the initial measurement of the related group of Takaful arrangements.

3.3.3.7 Takaful acquisition service costs

The Group may either recognize the Takaful acquisition service costs immediately as an income or expense in the books of the shareholder or amortize it over a period commensurate with the corresponding flow of economic benefits.

Takaful acquisition service costs, if any, are amortized over the entitlement period of the related group.

3. Significant accounting policies (continued)

3.3 Changes in significant accounting policies (continued)

3.3.3.8 Takaful arrangements - modification and derecognition

A Takaful institution shall derecognise a Takaful arrangement when, and only when:

a) it is extinguished, i.e., when the obligations specified in the arrangement are expired, discharged or cancelled; or
b) the terms of the arrangement are modified by mutual agreement or by a change in regulations, and the Takaful institution recognises the modified arrangement as a new arrangement.

3.3.3.9 Presentation

For presentation in the consolidated statement of financial position, the Group will aggregate takaful and re-Takaful arrangements issued, and re-Takaful arrangements held, respectively and present separately:

- Portfolios of takaful and re-Takaful arrangements issued that are assets.
- Portfolios of takaful and re-Takaful arrangements issued that are liabilities.
- Portfolios of re-Takaful arrangements held that are assets.
- Portfolios of re-Takaful arrangements held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the FAS 43 requirements.

Portfolios of Takaful arrangements issued include any assets for takaful acquisition cash flows.

The line-item descriptions in the consolidated statement of profit or loss have changed significantly compared with last year. Previously, the Group reported the following line items:

- Gross contributions
- Re-takaful share
- Net contributions
- Movement in unearned contribution – net
- Net earned contributions
- Gross claims paid
- Re-Takaful and other recoveries
- Movement in outstanding claims and IBNR - net
- Commission income
- Commission expense
- Net underwriting results
- Surplus from takaful operation
- Wakala fees

Instead, FAS 43 requires separate presentations of:

- Recognised takaful contributions
- Recognised takaful costs
- Retakaful net results
- Takaful gross margin
- Amortisation of deferred cost (related to provision of takaful arrangements)
- Amortisation of deferred income (related to retakaful arrangements held)
- Net takaful result

3 Significant accounting policies (continued)

3.4 Changes in significant accounting policies (continued)

3.3.3.10 Revenue and Income Recognition

3.3.3.10.1 Mudarib's Share

The Group shall recognise the Mudarib's share arising out of investment profits from the PTF and PIF after adjusting for any risk reserves, as per contractual arrangements in line with the Shari'ah principles and rules, as its revenue, at the end of each reporting period.

3.3.3.10.2 Wakala Fee

The Takaful operator earns revenue in the form of Wakala (management) fee in different forms and under various contracts. This fee may be fixed or variable in nature.

The Takaful operator shall recognise the fixed Wakala fee, as well as any variable Wakala fee which is not in form of a performance incentive, as its revenue in line with the contractual arrangements as it establishes right on such revenue and the same may be measurable with reasonable certainty.

The Takaful operator shall recognise the variable element of the Wakala fee, which is in form of a performance incentive, at the end of each reporting period. However, if such an incentive is contractually determined at a later stage, the same shall be recognised once it is determined.

3.3.3.10.3 Retakaful net results

The Group presents the amount expected to be recovered from re-Takaful operators, and allocation of re-Takaful contribution paid net income / (expense) from re-Takaful arrangements separately on the face of the consolidated statement of profit or loss.

3.3.3.10.4 Amortisation of deferred profit or cost

Amortisation of deferred profit or cost comprises the change in the carrying amount of the group of Takaful arrangements arising from:

- Any experience adjustment; and
- Financial risk elements.