takaful emarat

www.takafulemarat.com

Detailed analysis of accumulated losses

This form has been prepared in accordance with the disclosure requirements included in the SCA Board of Directors' Decision No. (32/R.M.) of 2019 concerning procedures for companies whose shares are listed on the market, and whose accumulated losses amount to (20%) or more of their paid-up capital. Listed Companies are required to comply with the provisions of the decision as soon as their accumulated losses reach (20%) or more of their paid-up capital.

Date:	18th April 2024
Name of the Listed Company:	Takaful Emarat Insurance (PSC)
Define the period of the financial statements:	Q4 2023
Value of the Accumulated losses:	AED 181,264 (in Thousands)
Accumulated losses to paid-up capital ratio (%):	120.8%
The main reasons for accumulated losses and the period in which these losses began. (Determine the period in which these losses began to appear in the company's financial statements):	1. During 2019 the medical insurance portfolio has recorded losses due to reduced margin and incurred higher medical claims expenses than expected. 2. Investments have generated lower returns during the period. Furthermore, the company historically had invested into technology digitizing its sales and operations processes. However, some of these investments did not yield the desired output leading to writing off these investments during the previous periods. 3. Due to Merger and Acquisition project from 2020 – 2022, the market distribution channels preferred to write the business with other companies which led to decline in the business, as a result there was a pressure on the company profitability to be able to control the accumulated losses. 4. The company re-valuated some of the invested assets and wrote off some of the bad debts which led to an increase in the accumulated losses. 5. The company restated its financial statements for the year 2022 due to recognizing impairment provision for equity investment.
Summary of the steps and initiatives undertaken by the company to address the accumulated losses:	1. The company has started the capital restructure process earlier this year. The decision was approved in February this year to offset the accumulated losses as of Q3 2023 with total amount of AED 132,429 (thousands), and it will follow with a capital increase with total amount of AED 185Mn. 2. Building up long term achievable business plan which will recover the accumulated losses through writing solid profitable business. 3. The company is working to enhance the current IT systems by bringing advanced technologies to improve the business processes and automation.

The Measures that will be taken to deal with the accumulated losses				
Actions	**The time frame for implementing the action**	**What has been implemented of the action and the percentage of implementation**	**Reasons for not implementing or delaying**	**Any modifications or changes made**
Action 1	During 2024	During the general Assembly meeting held in February 2024, discussions were held on restructuring the company's capital through capital reduction to write-off the accumulated losses as of Q3 2023. The company took the approval to write off the accumulated losses as of Q3 2023 with total amount of AED 132,429 (in thousands) and to increase the capital with total amount AED 125Mn. During April this year the board of directors has discussed along with the major Shareholders the necessity to increase the capital to AED 185Mn instead of AED125Mn which will fulfill the future growth plans. The company got approval from the CBUAE in principle to the proposed increase in the Company's paid-up capital and presenting the matter to the Company's general assembly.	The time frame for the capital increase will be implemented in accordance with legal procedures	Not applicable

The Name of the Authorized Signatory	Rayan Omer
Designation	Board Secretary
Signature and Date	18 April 2024
Company's Seal	