

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
AND INDEPENDENT AUDITORS' REPORT

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
AND INDEPENDENT AUDITORS' REPORT

	<u>Page</u>
Independent auditors' report	1- 4
Statement of financial position	5
Statement of income	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9 – 10
Notes to the financial statements	11 - 98

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL-ETIHAD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

DHAHRAN, KINGDOM OF SAUDI ARABIA

OPINION

We have audited the financial statements of the Al-Etihad Cooperative Insurance Company, (Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2025, and the statement of income, comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al-Etihad Cooperative Insurance Company (the "Company") as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the **Auditors' Responsibilities for the Audit of the Financial Statements** section of our report. We are independent from the Company in accordance with the International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL-ETIHAD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

DHAHRAN, KINGDOM OF SAUDI ARABIA

KEY AUDIT MATTER (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of liability for incurred claims and loss component	
<p>The estimation of the liability for incurred claims and loss component involves a significant degree of judgment. This entails estimating the present value of future cash flows and risk adjustment for non-financial risk (forming part of liability for incurred claims) and loss component (forming part of liability for remaining coverage). The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils its obligations under insurance contracts. The present value of future cash flows is based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not. The loss component is recognised if at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous.</p> <p>The Company uses an external actuary (“Appointed Actuary”) to provide them with the estimate of such liabilities. A range of methods were used to determine these liabilities which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>As at December 31, 2025, the estimates of present value of future cash flows, risk adjustment for non-financial risk and loss component amounts to ₪ 359.3 million, ₪ 12.5 million and ₪ 17.7 million, respectively, as disclosed in Note 10 to the financial statements.</p> <p>We have considered this as a key audit matter due to the inherent estimation uncertainty and complexity and subjectivity involved in the valuation of the estimates of present value of future cashflows, risk adjustment for non-financial risk and loss component arising from insurance contracts.</p> <p>Refer to Notes 3 and 4 for the material accounting policy information and significant accounting judgements, estimates and assumptions related to insurance contract liabilities.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Understood, evaluated and tested key controls around the claims handling and provision setting processes; • Evaluated the competence, capabilities and objectivity of the Appointed Actuary based on their professional qualifications and experience and assessed their independence; • Performed substantive procedures, on a sample basis, on the amounts recorded for claims notified and paid, including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims; • Checked the completeness of the underlying data used as inputs into the actuarial valuations and tested, on sample basis, the accuracy of underlying claims data used by the Appointed Actuary in estimating the present value of the future cash flows, risk adjustment for non-financial risk and loss component by comparing it to the accounting and other records; • Involved our actuarial expert to evaluate the Company's actuarial practices, adequacy of the provisions maintained and to obtain comfort over the actuarial report issued by the Appointed Actuary. Our actuarial expert also performed the following: <ul style="list-style-type: none"> (i) Evaluated whether the Company's actuarial methodologies were consistent with the generally accepted actuarial practices; (ii) Assessed the appropriateness of the calculation methods and approach along with the key actuarial assumptions used and sensitivity analysis performed; and (iii) Performed independent projections on present value of future cash flows, risk adjustment for non-financial risk and loss component for significant product lines to compare them with the amounts recorded by management; and • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL-ETIHAD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

DHAHRAN, KINGDOM OF SAUDI ARABIA

OTHER INFORMATION

Other information consists of the information included in the Company's 2025 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report expected to be made available to us after the date of the auditors' report. 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 identified above 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.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

AUDITORS' 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 auditors' 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 internal control.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

DHAHRAN, KINGDOM OF SAUDI ARABIA

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**PKF Albassam Chartered
Accountants**



Ahmed Abdul Majeed Mohandis
Certified Public Accountant
License No. 477
Khobar, Kingdom of Saudi Arabia

**El Sayed El Ayouty & Co.
Certified Accountants and
Auditors**



Abdullah Ahmad Balamesh
Certified Public Accountant
License No. 345
Khobar, Kingdom of Saudi Arabia



Shawwal 7, 1447H
March 26, 2026




AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

	Note	December 31, 2025	December 31, 2024 (Restated- Note 35)
ASSETS			
Cash and cash equivalents	5	94,988	106,067
Term deposits	6	308,909	561,991
Investments:			
Financial assets at fair value	7	232,783	223,862
Financial assets at amortized cost	7	339,833	346,564
Prepaid expenses and other assets	9	57,186	42,942
Insurance contract assets	10	407	21,165
Reinsurance contract assets	10	90,977	121,673
Right-of-use assets	13	4,530	7,996
Property and equipment	11	4,911	7,523
Intangible assets	12	11,583	14,737
Accrued income on statutory deposit	14	586	509
Goodwill	8	4,497	4,497
Statutory deposit	14	50,000	50,000
TOTAL ASSETS		1,201,190	1,509,526
LIABILITIES			
Accrued and other liabilities	15	13,313	36,491
Insurance contract liabilities	10	701,974	714,463
Reinsurance contract liabilities	10	97	841
Employee benefit obligations	16	23,378	20,968
Lease liabilities	13	3,281	6,728
Zakat and income tax payable	23	8,976	17,047
Accrued income payable to Insurance Authority	14	586	1,331
TOTAL LIABILITIES		751,605	797,869
EQUITY			
Share capital	17	500,000	500,000
(Accumulated loss) / retained earnings		(162,072)	112,372
Statutory reserve	24	41,362	41,362
Fair value reserve		70,799	59,201
Remeasurement reserve of employee benefit obligations		(504)	(1,278)
TOTAL EQUITY		449,585	711,657
TOTAL LIABILITIES AND EQUITY		1,201,190	1,509,526

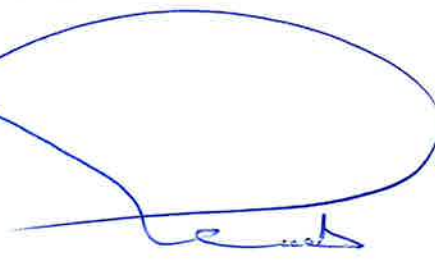
The accompanying notes from 1 to 38 form an integral part of these financial statements.



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

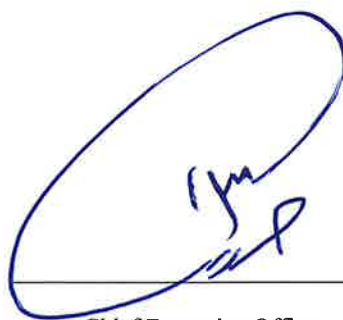
AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٺ thousands unless otherwise stated)

	Note	December 31, 2025	December 31, 2024
Insurance revenue	18	1,254,553	1,489,646
Insurance service expenses	18	(1,391,654)	(1,375,580)
Net expenses from reinsurance contracts held	18	(129,521)	(75,431)
Insurance service result from Company's directly written business		(266,622)	38,635
Share of surplus from insurance pools	21	5,044	6,344
Total insurance service result		(261,578)	44,979
Murabaha income from financial assets not measured at FVTPL		41,218	59,127
Net (loss) / gain on financial assets measured at FVTPL	7	(12,115)	5,222
Other investment revenue / dividend income		4,381	3,577
Net impairment loss on financial assets		(285)	(34,708)
Net investment income		33,199	33,218
Finance expense from insurance contracts issued	19	(1,857)	(7,533)
Finance income (expense) from reinsurance contracts held	19	1,935	(883)
Net insurance finance income (expense)		78	(8,416)
Net insurance and investment result		(228,301)	69,781
Other operating expenses	20	(10,737)	(16,016)
Finance costs on lease liabilities	13	(219)	(199)
Other income		6,595	3,568
Total (loss) / profit for the year before zakat and income tax		(232,662)	57,134
Zakat and income tax expense	23	(11,782)	(8,000)
NET (LOSS) / PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		(244,444)	49,134
(Loss) / earnings per share (expressed in ٺ per share)			
Basic (loss) / earnings per share	25	(4.89)	0.98
Diluted (loss) / earnings per share	25	(4.89)	0.98

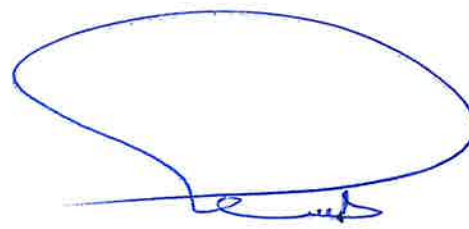
The accompanying notes from 1 to 38 form an integral part of these financial statements.



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
 (All amounts expressed in ₪ thousands unless otherwise stated)

	Note	December 31, 2025	December 31, 2024
NET (LOSS)/ PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		(244,444)	49,134
Other comprehensive income			
Items that will not be reclassified to the statement of income in subsequent years			
Net changes in fair value of investments measured at FVOCI	7	11,598	17,662
Actuarial gain on employee benefit obligations	16	774	241
Total other comprehensive income		12,372	17,903
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		(232,072)	67,037

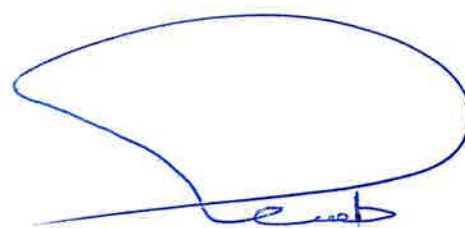
The accompanying notes from 1 to 38 form an integral part of these financial statements.



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

	Note	Share capital	Accumulated losses) /Retained earnings	Statutory reserve	Fair value reserve	Remeasurement reserve of employee benefit obligations	Total
Balance as at January 1, 2025		500,000	112,372	41,362	59,201	(1,278)	711,657
Total comprehensive income for the year							
Net Loss for the year attributable to the shareholders		-	(244,444)	-	-	-	(244,444)
Other comprehensive income		-	-	-	11,598	774	12,372
Total comprehensive income for the year		-	(244,444)	-	11,598	774	(232,072)
Cash dividends	34	-	(30,000)	-	-	-	(30,000)
Balance as at December 31, 2025		500,000	(162,072)	41,362	70,799	(504)	449,585
Balance as at January 1, 2024		450,000	150,065	31,535	41,539	(1,519)	671,620
Total comprehensive income for the year							
Net profit for the year attributable to the shareholders		-	49,134	-	-	-	49,134
Other comprehensive income		-	-	-	17,662	241	17,903
Total comprehensive income (loss) for the year		-	49,134	-	17,662	241	67,037
Cash dividends	34	-	(27,000)	-	-	-	(27,000)
Capital increase through bonus shares	25	50,000	(50,000)	-	-	-	-
Transfer to statutory reserve		-	(9,827)	9,827	-	-	-
Balance as at December 31, 2024		500,000	112,372	41,362	59,201	(1,278)	711,657

The accompanying notes from 1 to 38 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

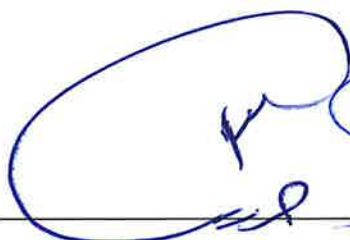
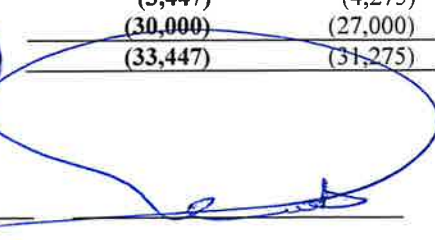
Chief Financial Officer

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

	Note	December 31, 2025	December 31, 2024 (Restated- Note 35)
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss) profit for the year before zakat and income tax		(232,662)	57,134
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment	11	2,354	2,490
Amortization of intangible assets	12	3,967	1,606
Depreciation of right-of-use assets	13	3,466	3,349
Finance costs on lease liabilities	13	219	199
Net loss (gains) on FVTPL investments	7	12,115	(5,222)
Provision for employees benefit obligations	16	4,972	4,705
Amortization of sukuks using effective interest rate method	7	(3,817)	(3,698)
Impairment in investment at amortized cost		-	34,820
Sukuk loss (income)		326	(683)
Murabaha income		(5,489)	(8,571)
(Reversal of) expected credit loss on investments at amortized cost		(4)	223
<u>Changes in operating assets and liabilities:</u>			
Prepaid expenses and other assets		(14,244)	34,813
Accrued income on statutory deposit		(77)	124
Accrued income payable to Insurance Authority		(745)	(861)
Accrued and other liabilities		(23,178)	(14,585)
Insurance contract assets		20,758	(18,331)
Reinsurance contract assets		30,696	(10,003)
Insurance contract liabilities		(12,489)	(378,349)
Reinsurance contract liabilities		(744)	(6,234)
Cash used in operations		(214,576)	(307,074)
Employee benefit obligations paid	16	(1,788)	(3,268)
Finance cost paid on lease liabilities		(219)	(199)
Zakat and income tax paid	23	(19,853)	(9,913)
Net cash used in operating activities		(236,436)	(320,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment against purchase of investment measured at amortised cost	7	(20,999)	(71,758)
Proceed from redemption of investment measured at amortised cost	7	31,225	36,031
Payment against purchase of financial assets at FVTPL	7	(52,945)	(76,536)
Proceed from sale of financial assets at FVTPL	7	43,507	91,120
Net movement in term deposits	14	258,571	413,102
Addition to property and equipment	11	258	5,075
Addition to intangible assets	12	(813)	(11,612)
Placement of statutory deposit		-	(5,000)
Net cash generated from investing activities		258,804	380,422
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal element of lease payments		(3,447)	(4,275)
Dividends paid		(30,000)	(27,000)
Net cash used in financing activities		(33,447)	(31,275)



Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer


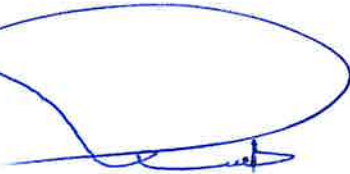
AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

	December 31, 2025	December 31, 2024 (Restated- Note 35)
Net change in cash and cash equivalents	(11,079)	28,693
Cash and cash equivalents at the beginning of the year	106,067	77,374
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	94,988	106,067

Supplemental non-cash information:

Unrealized fair value changes in financial assets through other comprehensive income	11,598	17,662
Actuarial gain charged to other comprehensive income	(774)	(241)
Capital increase through bonus share (capital share)	-	50,000

The accompanying notes from 1 to 38 form an integral part of these financial statements.

		
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ټ thousands unless otherwise stated)

1. GENERAL INFORMATION

(a) Legal status and principal activities

Al-Etihad Cooperative Insurance Company, (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to January 30, 2008. The registered address of the Company’s head office is as follows:

Al-Etihad Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Dhahran 34232-4233, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the “Law”) and it’s implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident, and others.

On July 31, 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 23 Rabi I 1429H, corresponding to March 31, 2008, the Saudi Central Bank (“SAMA”) (Currently: Insurance Authority), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On October 6, 2024, the Company signed an agreement with the Ministry of Human Resources and Social Development for providing insurance coverage of Employers’ Delinquency, covering the financial dues of non-Saudi workers in delinquent private-sector entities. This policy is shared with another 18 participating Saudi insurance companies under a coinsurance arrangement. The Company, as the leading company (Operator), manages the pool on behalf of the participating insurance companies and is exclusively entitled to management fees to be earned in accordance with the terms of the agreement.

The policy coverage period ended on October 5, 2025. Subsequent to the end of the coverage period, the pool continues to administer and settle obligations arising from coverage provided up to that date, in accordance with the terms of the agreement. The Company, as Operator, has participated in the renewal bidding process, which was ongoing as at the date of authorization for issuance of these financial statements.

(b) Going concern assessment

The Company has incurred a net loss attributable to the shareholders of ټ 244.4 million during the year ended December 31, 2025 (2024: net profit attributable to the shareholders of ټ 49.1 million). The Company’s net cash used in operating activities for the year then ended amounted to ټ 236.4 million (2024: net cash used in operating activities of ټ 347.5 million). Further, as at December 31, 2025, the Company had accumulated loss of ټ 162.1 million (2024: retained earnings of ټ 112.4 million) and the Company’s solvency margin continues to be in compliance with the minimum solvency requirements as mandated by the Insurance Authority.

Management continues to focus on performance improvement measures implemented in 2025, which include better pricing strategies, diversification of insurance portfolio, improvement in controls over claims management processes, improved recoverability of premium receivable balances, among others and expects that this will further reflect positively in the operational results and cash flows for the years to come.

Management has performed an assessment of its going concern assumption and based on the detailed business plan of the Company, management believes that the Company will be able to continue its operations and meet its obligations as they fall due within the next 12 months. Accordingly, management believes that the Company’s operations shall continue for the foreseeable future under the normal course of business and the going concern basis used in the preparation of these financial statements remains appropriate.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for insurance operations and shareholders’ operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activities are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by management and the Board of Directors of the Company.

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the “Regulations”) issued by the Insurance Authority, formerly SAMA, and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders’ operations in full. Surplus distributable to the policyholders, forming part of insurance service expenses, is disclosed in note 33.

The statements of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in note 36 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by the Insurance Authority’s implementing regulations. Insurance Authority’s implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders’ operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operation.

In preparing the Company’s financial statements in compliance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

(b) Basis of measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of financial assets at FVTPL, financial assets at FVOCI, insurance and reinsurance assets/liabilities and employee benefit obligations recorded at the present value using the projected unit credit method.

(c) Basis of presentation

The Company’s statement of financial position is not presented using a current/non-current classification and is presented in order of liquidity. However, the following balances would generally be classified as current: cash and cash equivalents, prepaid expenses and other assets, accrued income on statutory deposit, accrued and other liabilities, due to related parties, dividend payable, zakat payable, financial assets at FVTPL and accrued income payable to Insurance Authority. The following balances would generally be classified as non-current: financial assets at FVOCI, property and equipment, right-of-use assets, goodwill, intangible assets, statutory deposit, and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include term deposits, insurance contract assets/liabilities, reinsurance contract assets/liabilities, and lease liabilities.

(d) Functional and presentation currency

These financial statements are expressed in Saudi Arabian Riyals (“ٴ”) which is the functional and presentation currency of the Company.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

(e) *Seasonality of operations*

There are no seasonal changes that may affect the insurance operations of the Company.

(f) *Changes in products and services*

During the year ended December 31 2025, there were no significant changes in products or services and their terms of the insurance contracts offered by the Company.

3. MATERIAL ACCOUNTING POLICIY INFORMATION

The material accounting policies used in the preparation of these financial statements are summarised below, these policies have been consistently applied for each of the years presented.

3.1 New standards, amendments and interpretations applied by the Company

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company’s financial statements.

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the amendment	Management assessment
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.	Management has assessed the adoption of these amendments and concluded that they did not have a material impact on the Company’s financial position, financial performance, or cash flows for the current reporting period

3.2 Standards and amendments issued but not yet effective

The following standards and amendments have been issued but are not yet effective for the reporting period ended December 31, 2025 and have not been early adopted by the Company

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of standards and the amendment	Management assessment
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	January 1, 2026	These amendments modify the ‘own use’ requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.	Based on the nature of the Company’s operations and contractual arrangements, management does not expect these amendments to have a material impact on the Company’s financial statements upon initial application.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Standards and amendments issued but not yet effective (Continued)

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of standards and the amendment	Management assessment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7.	Management has performed a preliminary assessment and does not expect the adoption of these amendments to have a material impact on the Company's financial statements, as the Company's financial instruments and settlement arrangements are not expected to be significantly affected.
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.	Management is currently assessing the impact of IFRS 18. While the standard is expected to result in changes to presentation and disclosures, it is not expected to have a material impact on the recognition or measurement of the Company's assets, liabilities, income or expenses.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ₪ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**3.2 Standards and amendments issued but not yet effective (Continued)**

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of standards and the amendment	Management assessment
IFRS 19	Subsidiaries without Public Accountability	January 1, 2027	IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply full IFRS recognition and measurement principles. The standard affects disclosure requirements only and does not impact recognition or measurement.	Management will assess the applicability of IFRS 19 at the date of adoption. The standard is expected to affect disclosure requirements only and is not expected to have a material impact on the Company's financial position, financial performance or cash flows.

3.3 Insurance and reinsurance contracts*i. Classification and summary of measurement models*

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims ("LIC") and Liability for Remaining Coverage ("LRC").

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, motor, engineering, property, general accident and marine. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company does not issue any contracts with direct participating features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

None of the insurance contracts issued by the Company contain embedded derivatives, investment components or any other goods and services.

ii. Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the portfolio.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ₪ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**3.3 Insurance and reinsurance contracts (continued)***ii. Level of aggregation (continued)*

The portfolios are further divided by year of issue.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.

Insurance Contracts Issued

Portfolio	Description	Classification in the financial statement's disclosures
Motor comprehensive - non-auto lease	Motor vehicles, including both own damage (private and commercial) and third-party liability dedicated to non-auto lease accounts.	Motor
Motor comprehensive -Auto lease	Motor vehicles, including both own damage (private and commercial) and third-party liability dedicated to auto lease accounts.	
Motor TPL - Aggregator	Motor third-party liability dedicated to aggregators channel	
Motor TPL - Non-Aggregator	Motor third-party liability dedicated to non-aggregator	
Medical Corporate	Medical insurance for corporate entities	Medical
Medical SME	Medical insurance for small businesses	
Medical Jumbo	Medical insurance dedicated for large scale corporate entities	
Medical others	Visitors' Medical insurance, Tourist and Unique Iqama visas	
Property	Fire, lightning, allied perils and burglary. Business interruption/consequential loss of profits, sabotage and terrorism	Property and Casualty
Engineering	Construction, plant and machinery	
General Accident	Various types of liability indemnity, medical malpractice, financial loss benefits and other risks	
Marine	Marine cargo and hull	

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

ii. *Level of aggregation* (continued)

Reinsurance Contracts Held

Portfolio	Description	Classification in the financial statement's disclosures
Motor - Proportional	Proportional reinsurance cover for underlying motor personal accident contracts	Motor
Motor Non-Proportional	Excess of loss reinsurance cover for underlying motor comprehensive and motor third party liability contracts.	
Medical - Non-Proportional	Excess of loss reinsurance cover for underlying medical insurance products.	Medical
Medical - Facultative	Facultative reinsurance cover for underlying medical insurance contracts.	
Property - Proportional	Proportional cover for underlying property contracts.	Property and
Property & Engineering - Non-Proportional	Excess of loss reinsurance cover for underlying property and engineering contracts.	Casualty
Engineering - Proportional	Proportional cover for underlying engineering contracts.	
Engineering – Facultative	Facultative reinsurance cover for underlying Engineering insurance contracts.	
General Accident Non-Proportional	Excess of loss reinsurance cover for underlying general accident insurance products.	
General Accident- Facultative	Facultative reinsurance cover for underlying general accident insurance products.	
Marine - Non-Proportional	Excess of loss reinsurance cover for underlying marine contracts.	
Marine – Proportional	Proportional cover for underlying marine contracts.	

iii. *Recognition*

The Company recognises a group of insurance contracts issued 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 becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- For a group of onerous contracts, the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

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

- For reinsurance contracts that provide proportionate coverage, at the later of:
 - (i) the beginning of the coverage period of the group of reinsurance contracts and
 - (ii) the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts;

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

iii. *Recognition (continued)*

However, if the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

iv. *Contract boundaries*

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

A substantive obligation to provide services ends when:

- i) The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- ii) Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
 - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

v. *Measurement*

The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. This is the default model under IFRS 17 to measure insurance contracts. However, the Premium Allocation Approach (PAA), which is a simplified measurement model, is permitted if, and only if, at the inception of the group:

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general measurement model requirements or

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ₪ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

v. Measurement (continued)

- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

- Insurance contracts:

The coverage period of medical and motor contracts in the group of contracts is one year or less. PAA eligibility testing has been performed for the Engineering, General Accident group of contracts. The Company reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA would not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Testing is completed on both:

- the product level then groups are formed based on the product and the terms of the product, and
- the portfolio level then groups are formed on a portfolio level.

Where the potential deviation is below financial statement materiality, the associated portfolio / product is deemed eligible for the PAA.

The upper bound is derived by simulating the maximum potential difference between PAA and GMM for thousands of combinations of input assumptions (term, volatility, expected claims and expense ratio, acquisition expense ratio, risk adjustment) for contracts. It is derived as follows:

- Simulate differences between PAA and GMM for several thousand contracts with various cashflow assumptions,
- Derive a generic curve of the maximum deviation normalized by GWP for each contract duration and level of reasonable shock applied,
- Apply the curve to the projected distribution of premium by contract duration to derive the portfolio potential deviation

The resulting upper-bound curves are then applied to all IFRS 17 portfolios. This effectively ensures that portfolios with a low volume of business but which are likely to be eligible for the PAA are demonstrated to be eligible without requiring a bespoke cashflow projection based on detailed actuarial assumptions and judgement.

For portfolios that have failed the upper-bound PAA eligibility test, a best estimate of the potential deviation between the PAA and the GMM is determined for a hypothetical representative contract. The hypothetical representative contract is identified based on the current contract wording and projected distribution of coverage periods, and is assumed to have GWP equal to the projected GWP of the entire portfolio. Where the potential deviation is below financial statement materiality, the associated portfolio is deemed eligible for the PAA.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous and facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

v. *Measurement (continued)*

• Reinsurance contracts:

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer.

The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the year before a claim is incurred.

Measurement on initial recognition under PAA:

On initial recognition of each group of contracts that are not onerous, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition less any acquisition cash flows paid.

Subsequent measurement under PAA:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfilment cash flows ("FCF") related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b. decreased for insurance acquisition cash flows paid in the year
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the year; and
- d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses
- e. increased for any adjustment to the financing component where applicable.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the year;
- b. increased for reinsurance commission income in the year; and
- c. decreased for the expected amounts of ceding premiums and reinsurance commission income recognised as reinsurance expenses for the services received in the year

On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

For all group of contracts, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٴ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Insurance and reinsurance contracts (Continued)

v. *Measurement (continued)*

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 4.

The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included in the estimates of claims liability as it can reasonably be recovered from the disposal of the asset.

Onerous contract assessment:

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

Where the Company recognises 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. The Company calculates 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. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

v. *Measurement (continued)*

Non-performance risk (NPR) adjustment

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

vi. *De-recognition and contract modification*

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows. There were no instances of modification or derecognition identified during the year ended December 31, 2025.

vii. *Acquisition & Attributable Cost*

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired businesses. The company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially attributed to the insurance operations. The company has in place allocation technique to allocate the costs and are deferred over the life of the insurance contract. Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

viii. *Risk adjustments for non-financial risk*

The Company uses Mack method and solvency II for the calculation of risk adjustment percentage using 75th percentile.

ix. *Presentation*

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Company recognised in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

ix. Presentation (continued)

Insurance revenue

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The impact of seasonality is not considered material in relation to recording the insurance revenue.

The Company has developed impairment calculations based on provision matrix approach. LRC adjustment is recorded as an adjustment to LRC with corresponding impact recorded in Insurance Revenue. The Company has used these impairment calculations to project the expected premium receipts to each period.

Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the year.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service - changes in the FCF relating to the LIC.
- e. changes that relate to future service - changes in the FCF that result in onerous contract losses or reversals of those losses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the recognition of premium.

Net expenses from reinsurance contracts:

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٺ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

ix. Presentation (continued)

Insurance finance income and expenses:

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

The Company includes all insurance finance income or expenses for the year in the statement of income.

x. Classification, recognition and measurement

- **Deferral of acquisition costs** - insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company has elected to capitalise and amortise these costs over the coverage period based on the passage of time for all groups of contracts.
- **Discount rate** - the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts.
- **Risk Adjustment** - the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment") and risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk.
- **Onerous contracts** - IFRS 17 requires the identification of groups of onerous contracts at a more granular level. For onerous contracts, the loss component based on projected profitability is recognized immediately in net income.

xi. Accounting policy choices

Length of cohorts

IFRS 17 places an upper limit of 12 months on the length of cohorts so that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Company has elected to use annual cohorts.

Use of OCI for insurance finance income or expense (IFIE)

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, and the effect of financial risk and changes in financial risk. In reference to the presentation in statement of income, the Company will present the entire insurance finance income or expenses in profit or loss.

Expense attribution

The Company will perform regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

xi. Accounting policy choices (continued)

Deferral of acquisition cost

In reference to the recognition of acquisition costs, the Company has decided to capitalize and amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

Policyholder surplus accounting

The Company does not make any allowance for surplus distribution when determining onerosity. Currently, the amount is determined on a retrospective basis only, allocated to group of contracts based on the Company's defined allocation policy and presented as part of LIC.

xii. Presentation and disclosure

Statement of financial position

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

Statements of income

Insurance revenue includes gross written premium, gross movement in unearned premiums and estimates for expected premium receipts.

Insurance service expense includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment.

Net income / (expenses) from reinsurance contracts held includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result in Net income.

Share of surplus from insurance pools (i.e inherent defects insurance and Employers' Delinquency Pool) are presented on a net basis within the total insurance service results after the insurance service result from the Company's directly written business.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Insurance and reinsurance contracts (continued)

xii. Presentation and disclosure (continued)

Underwriting expenses, claims handling expenses, policy acquisition costs and general and administrative expenses are classified either as 'Incurred claims and other directly attributable expenses' within insurance service expense or as other operating expenses when they are not directly attributable to insurance contracts.

3.4 Financial assets and liabilities

i. Initial recognition

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as a gain or loss.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

ii. Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI)
- Held at amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Financial assets and liabilities (continued)

ii. *Classification and subsequent measurement of financial assets (Continued)*

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Company also considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٬ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Financial assets and liabilities (continued)

ii. Classification and subsequent measurement of financial assets (continued)

Debt instruments

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

Fair value through other comprehensive income ("FVOCI"):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

Fair value through profit or loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is presented in profit or loss in the period in which it arises. Currently investment in mutual funds and Sukuk which failed SPPI assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred during the year ended December 31, 2025.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Financial assets and liabilities (continued)

ii. Classification and subsequent measurement of financial assets (continued)

Equity instruments:

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company ("Najm"), as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently all equity securities are designated as FVTPL.

Any gain or loss on the disposal of equity classified as FVOCI will be non-recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

iii. Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Financial assets and liabilities (continued)

iii. Impairment of financial assets (continued)

The Company applies the simplified model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition and calculate ECLs based on lifetime expected credit losses. As a practical expedient of IFRS 9, the Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and the market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD. The Company has identified the Gross domestic product and the inflation rate of the country in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset. Financial assets are written-off only when there is no reasonable expectation of recovery. Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of income. IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment. Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.

iv. Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Financial assets and liabilities (continued)

v. *Classification and subsequent measurement of financial liabilities*

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective profit method.

vi. *Derecognition of financial liabilities*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of income.

3.5 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

3.7 Term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

3.8 Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Leasehold improvements principally represent movable structures that can be relocated without incurring any substantial cost and effort. Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Property and equipment (continued)

Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Leasehold improvements	lower of lease term or 4 - 10
Furniture, fixtures and office equipment	4 - 5

3.9 Goodwill

Goodwill represents excess of the fair value of the purchase consideration payable, as per IA's instructions, over the net identifiable assets acquired from Trade Union Insurance Company B.S.C. (closed). The recoverability of goodwill is tested at each statement of financial position date for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and its value in use.

3.10 Intangible assets

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Estimated useful life of software is 4-5 years. Intangible assets with an infinite useful life (including goodwill) are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortisation expense is included in 'General and administrative expenses' under statement of income.

3.11 Right-of-use assets and lease liabilities

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

RoU assets are depreciated over the shorter period of lease term or the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company has used exemption available in IFRS 16 - Leases, for short-term leases and leases of low-value assets. Also see Note 13 (b).

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in the statement of income.

3.13 Provisions and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.14 Employee benefit obligations

The Company operates a single employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.15 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (“the ZATCA”) in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the Zakat base. The Company is settling the Zakat annually to ZATCA.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2024. Also refer Note 28 for sensitivity analysis.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(i) *Estimates of future cash flows to fulfil insurance contracts*

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company’s estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(i) *Estimates of future cash flows to fulfil insurance contracts (continued)*

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at Company level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in statement of income as they are incurred.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfil the insurance contracts.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contract.

The most common methods used to estimate claims incurred are the chain-ladder (“CL”), expected loss ratios (“ELR”) and the Bornhuetter-Ferguson (“BF”) methods, which are the industry standards and the Company uses a mix of these. The provisions for the claims incurred using the above methods are net of recoveries.

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed, to produce an estimated ultimate claims cost for each accident year. In Chain Ladder applications, recoveries are included in historical claims data, meaning that loss development factors inherently reflect the impact of recoveries.

Expected Loss Ratio method uses an initial expected loss ratio (based on past experience) to estimate ultimate claims.

The Bornhuetter-Ferguson method estimates ultimate values using Expected Loss Ratio method mixed with Chain Ladder Method because validity of the results from using a loss development approach can be affected by many conditions, and the percentage of losses paid for immature years is often low, and hence development factors are volatile. A small variation in the number of claims paid can have a leveraging effect that can lead to significant changes in estimated ultimate. Therefore, BF method estimates ultimate claims giving higher weightage to ELR method for recent accident periods and higher weight to CL method for older accident periods.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٢ thousands unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)*(ii) Discounting methodology*

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by The European Insurance and Occupational Pensions Authority (EIOPA) were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for the application. The Company used the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium.

The Company had discounted the liability for incurred claims for all groups of insurance contracts. There is no allowance for the time value of money for liability for remaining coverage ("LRC").

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

Insurance contracts issued and reinsurance contracts held					
2025	1 year	2 years	3 years	4 years	5 years
Motor	4.21%	4.09%	4.12%	4.18%	4.25%
Medical	4.21%	4.09%	4.12%	4.18%	4.25%
Property and Causality	4.21%	4.09%	4.12%	4.18%	4.25%
Insurance contracts issued and reinsurance contracts held					
2024	1 year	2 years	3 years	4 years	5 years
Motor	4.98%	4.89%	4.86%	4.84%	4.82%
Medical	4.98%	4.89%	4.86%	4.84%	4.82%
Property and Causality	4.98%	4.89%	4.86%	4.84%	4.82%

(iii) Risk adjustments for non-financial risks

The Company adjusted the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

The Company adopted the PAA simplification for the calculation of liability for remaining coverage. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as onerous.

There is no prescribed approach for determining the risk adjustment for non-financial risk for each group of insurance contracts. Applying a confidence level technique, the Company estimated the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculated the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٠ thousands unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(iv) *Onerosity determination*

Under the PAA, the Company assumed no contracts in the portfolio are onerous at initial recognition unless “facts and circumstances” indicate otherwise. The Company performs the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if “facts and circumstances” indicate that there are significant changes in product pricing, product design, plans and forecasts.

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

The Company established a process to determine onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately. Refer Note 3.3 (v) for further details in this regard.

(v) *Estimates for expected premium receipts*

The Company has developed a methodology for expected premium receipts based on provision matrix approach. Such balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the estimates, such balances have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, affecting the ability of the customers to settle the receivables. The Company has identified the Gross domestic product and the inflation rate of the country in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(vi) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Note 26 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

(vii) *Impairment of goodwill*

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the recoverable amount is less than carrying value, the difference is charged to statement of income as impairment loss. The key assumptions used in determining the recoverable amounts and the related sensitivity analysis are set out in Note 8.

(viii) *Presentation of the share in net results from insurance pool*

IFRS 17 does not have specific requirements on the presentation of assigning insurance income and expenses, and insurance assets and liabilities when an insurance contract is issued by more than one entity. Accordingly, the Company applied the requirements in IAS 8 in developing a policy for the presentation of the arrangement in which it is a co-insurer (refer to note 3.3 xii). The Company analysed the contractual terms of the arrangement policy and concluded that given the nature and substance of the arrangement, it is appropriate to present the results within net insurance results as a separate line item in the statement of comprehensive income, with details provided in the notes. The Company believes this is appropriate as management has no ability to change the pricing or control the expenditure and as such do not think it is appropriate to include the results within revenue and expenses that are controllable by the Company. The current presentation of the arrangement is similar to where an entity is as an agent, where the principle is as there is no control net presentation is more appropriate and disclosure is provided in the notes. Management believes the presentation and disclosure reflects the substance of the arrangement.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash at bank - current accounts	47,737	66,403	1,601	9,109	49,338	75,512
Statutory deposits – Current account	-	-	-	822	-	822
Money market funds	45,654	9,457	-	20,281	45,654	29,738
Less: Allowance for expected credit loss	(4)	(3)	-	(2)	(4)	(5)
	93,387	75,857	1,601	30,210	94,988	106,067

Cash at banks is placed with counterparties with sound credit ratings. As at December 31, 2025, deposits were placed with local banks with original maturities of less than three months from the date of placement and earned commission income at an average rate of 3.15% to 5.85% (December 31, 2024: 2.3% to 6.1%) per annum.

6. TERM DEPOSITS

Short-term deposits, amounting to ₪ 110.11 million (December 31, 2024: ₪ 401.4 million), are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earned commission income at a rate of 4.07% to 5.85% per annum for the period ended December 31, 2025 (December 31, 2024: 5.3% to 6.1%).

Long-term deposits, amounting to ₪ 198.76 million (December 31, 2024: ₪ 160.5 million), are placed with local banks and financial institutions represent deposits with maturity of more than one year from the date of placement and are placed with banks carrying commission income at an average rate of 2.3% to 6.25% (December 31, 2024: 2.3% to 6.25%).

The gross carrying amounts above represent the Company's maximum exposure to credit risk on these financial assets which are categorized under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. The Company's exposures to credit risk are not collateralized. At December 31, 2025 and December 31, 2024, the ECL allowance on such financial assets was immaterial

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

7. INVESTMENTS

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Investments at amortized cost						
Investments at amortized cost	268,951	249,120	71,204	97,444	336,192	342,601
Accrued Sukuk income	2,715	2,377	927	1,591	3,642	3,968
Less: Allowance for expected credit loss (Stage 1)	-	-	(1)	(5)	(1)	(5)
Net Investments at amortized cost	267,703	247,534	72,130	99,030	339,833	346,564
Investments at fair value						
Investments at FVOCI	-	-	78,868	67,270	78,868	67,270
Investments at FVTPL	-	-	153,915	156,592	153,915	156,592
Investments at fair value	-	-	232,783	223,862	232,783	223,862
Total	267,703	247,534	304,913	322,892	572,616	570,426

Investment in mutual funds and debt instruments that fail SPPI test, are classified as investments measured at FVTPL since these are equity instruments. The Company has classified its investments in ordinary shares at FVTPL, except for Najm investments and Arab Re which are being held at FVOCI. The Company holds an investment in the equity of Najm for Insurance Services (Najm) and Arab Reinsurance Company in accordance with Company's accounting policy, investments in equity instruments should be measured at fair value. The fair value of Najm investment as at December 31, 2025 amounting to ₪ 72.72 million (December 31, 2024: ₪ 61.1 million). The fair value of Arab Re investment as at December 31, 2025 amounting to ₪ 6.15 million (December 31, 2024: ₪ 6.15 million).

Debt instruments represent investments in Sukuks that are classified as investments at amortized cost, as they pass SPPI assessment. The Company's business model for Sukuk classified as Investments at amortized cost is to hold to collect contractual cash flows.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

7. INVESTMENTS (Continued)

(a) *Movement in Investments at amortized cost is as follows:*

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Balance at beginning of the year	249,120	241,096	97,444	100,598	342,601	341,694
Additions during the year	20,999	55,820	-	15,938	20,999	71,758
Impairment	-	(34,820)	-	-	-	(34,820)
Disposals during the year	(4,900)	(17,000)	(26,325)	(19,178)	(31,225)	(36,178)
Amortisation	3,732	61	85	86	3,817	147
Balance at end of the year	268,951	245,157	71,204	97,444	336,192	342,601

(b) *Movement in investments carried at fair value is as follows:*

(i) Movements in Investments at fair value through other comprehensive income:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Balance at beginning of the year	-	-	67,270	49,608	67,270	49,608
Changes in fair value of investments	-	-	11,598	17,662	11,598	17,662
Balance at end of the year	-	-	78,868	67,270	78,868	67,270

(ii) Movements in Investments at fair value through profit or loss:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Balance at beginning of the year	-	-	156,592	165,954	156,592	165,954
Additions during the year	-	-	52,945	76,536	52,945	76,536
Disposals	-	-	(43,507)	(91,120)	(43,507)	(91,120)
Changes in fair value of investments	-	-	(12,115)	5,222	(12,115)	5,222
Balance at end of the year	-	-	153,915	156,592	153,915	156,592

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٢ thousands unless otherwise stated)

7. INVESTMENTS (Continued)

(c) *Category wise investment analysis is as follows:*

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Quoted	267,703	247,534	158,169	180,973	425,872	428,507
Unquoted	-	-	146,744	141,919	146,744	141,919
Balance at end of the year	267,703	247,534	304,913	322,892	572,616	570,426

(d) *Geographical concentration:*

The maximum exposure to credit and price risk for financial assets at fair value through profit or loss at the reporting date by geographic region is as follows:

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Kingdom of Saudi Arabia	267,703	247,534	282,814	299,881	550,517	547,415
Lebanon	-	-	6,146	6,146	6,146	6,146
Bahrain	-	-	12,549	11,948	12,549	11,948
United Arab Emirates	-	-	-	1,513	-	1,513
Kuwait	-	-	3,404	3,404	3,404	3,404
Total	267,703	247,534	304,913	322,892	572,616	570,426

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ﷲ thousands unless otherwise stated)

8. GOODWILL

The Company commenced its insurance operations on January 1, 2009. The Company's shareholders approved the transfer of insurance portfolio and net assets of Trade Union Insurance Company B.S.C. (closed) to the Company effective January 1, 2009, upon approval from the respective authorities. Such transfer resulted in goodwill of ﷲ 4.5 million.

For the impairment testing, management has identified a single cash generating unit ("CGU") and determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years' business plan, and use of an appropriate discount rate. Cash flows beyond five-years' period are extrapolated using the terminal value growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The calculation of value in use was most sensitive to the assumptions of insurance revenue growth, insurance service expenses and discount rate, which are determined keeping in view the historical performance, recent market and industry trends and expected outcome of various performance improvement measures being implemented by management.

The key significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

Key assumptions - December 31, 2025	%
Insurance revenue growth	3.89
Insurance service expenses as a percentage of insurance revenue	95.2
Weighted average cost of capital	11.83
Terminal value growth rate	1.15

Key assumptions - December 31, 2024	%
Insurance revenue growth	7
Insurance service expenses as a percentage of insurance revenue	79.1
Weighted average cost of capital	6.64
Terminal value growth rate	1.6

Although management believes that the assumptions used to evaluate potential impairment are reasonable, such assumptions are inherently subjective. Based on the assumptions made, the expected discounted future cash flows exceed the carrying amount of goodwill and accordingly no impairment has been recognised.

Sensitivity to the changes in assumptions

The estimated recoverable amount of the CGU exceeded its carrying value by approximately ﷲ 1.801 million. Management has identified that a reasonably possible change in the below given key assumptions could cause the carrying amount to equal the recoverable amount.

Insurance revenue growth

The insurance revenue growth in the forecast period has been estimated to be a compound annual growth rate of 3.89%. If all other assumptions kept the same, a reduction of this growth rate from 3.89% to 1.57% would give a value in use equal to the current carrying amount.

Insurance service expenses

The insurance service expenses as a percentage of insurance revenue in the forecast period has been estimated to be 95.2% of insurance revenue. If all other assumptions kept the same, a decrease of this result from 95.2% to 101.84% of insurance revenue would give a value in use equal to the current carrying amount.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

8. GOODWILL (continued)

Weighted average cost of capital

The weighted average cost of capital in the forecast period has been estimated to be 11.83%. If all other assumptions kept the same, an increase of this discount rate from 11.83% to 25.59% would give a value in use equal to the current carrying amount.

9. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations		Shareholders' operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Receivable against insurance pools	31,794	10,040	-	-	31,794	10,040
Prepaid expenses	7,535	5,023	-	-	7,535	5,023
Employees' receivables	3,228	3,602	-	-	3,228	3,602
Other	14,629	24,277	-	-	14,629	24,277
	57,186	42,942	-	-	57,186	42,942

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS

10.1 Composition of the statement of financial position

An analysis of the amounts presented on the statement of financial position for insurance contracts and reinsurance contracts has been included in the table below along with the presentation of current and non-current portion of balances:

December 31, 2025	Motor	Medical	Property and Casualty	Total
Insurance contracts				
Insurance contract assets	-	(407)	-	(407)
Insurance contract liabilities	502,751	80,326	118,897	<u>701,974</u>
				<u>701,567</u>
Reinsurance contracts				
Reinsurance contract assets	1,337	5,389	84,251	90,977
Reinsurance contract liabilities	-	(38)	(59)	<u>(97)</u>
				<u>90,880</u>
December 31, 2024				
Insurance contracts				
Insurance contract assets	-	(21,165)	-	(21,165)
Insurance contract liabilities	434,237	115,621	164,605	<u>714,463</u>
				<u>693,298</u>
Reinsurance contracts				
Reinsurance contract assets	215	10,053	111,405	121,673
Reinsurance contract liabilities	(11)	-	(830)	<u>(841)</u>
				<u>120,832</u>

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims

10.2.1 Insurance contracts

	As at December 31, 2025					As at December 31, 2024 (Reclassified)				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total
Insurance contracts										
Insurance contract liabilities - opening	338,309	28,466	334,273	13,415	714,463	536,021	39,985	496,320	20,486	1,092,812
Insurance contract assets – opening	(64,245)	-	41,829	1,251	(21,165)	(2,934)	-	98	2	(2,834)
Opening balance - net	274,064	28,466	376,102	14,666	693,298	533,087	39,985	496,418	20,488	1,089,978
Insurance revenue	(1,254,553)	-	-	-	(1,254,553)	(1,489,646)	-	-	-	(1,489,646)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	1,245,329	7,741	1,253,070	-	-	1,265,790	9,169	1,274,959
Reversal of losses on onerous contracts	-	(10,807)	-	-	(10,807)	-	(11,519)	-	-	(11,519)
Changes that relate to past service - adjustments to the LIC	-	-	(41,404)	(9,992)	(51,396)	-	-	(61,916)	(15,412)	(77,328)
Insurance acquisition cashflows amortisation	200,787	-	-	-	200,787	189,468	-	-	-	189,468
Insurance service expenses	200,787	(10,807)	1,203,925	(2,251)	1,391,654	189,468	(11,519)	1,203,874	(6,243)	1,375,580
Finance expense from insurance contracts	-	-	1,752	105	1,857	-	-	7,112	421	7,533
Total changes in the statement of income	(1,053,766)	(10,807)	1,205,677	(2,146)	138,958	(1,300,178)	(11,519)	1,210,986	(5,822)	(106,533)
Cashflows										
Premiums received	1,296,639	-	-	-	1,296,639	1,218,388	-	-	-	1,218,388
Claims and other directly attributable expenses paid	-	-	(1,222,505)	-	(1,222,505)	-	-	(1,331,302)	-	(1,331,302)
Insurance acquisition cashflows paid	(204,823)	-	-	-	(204,823)	(166,855)	-	-	-	(166,855)
Total cash inflows (outflows)	1,091,816	-	(1,222,505)	-	(130,689)	1,051,533	-	(1,331,302)	-	(279,769)
Other movements	-	-	-	-	-	(10,378)	-	-	-	(10,378)
Insurance contracts										
Insurance contract liabilities - closing	314,315	17,659	357,571	12,429	701,974	338,309	28,466	334,273	13,415	714,463
Insurance contract assets – closing	(2,201)	-	1,703	91	(407)	(64,245)	-	41,829	1,251	(21,165)
Closing balance - net	312,114	17,659	359,274	12,520	701,567	274,064	28,466	376,102	14,666	693,298

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.1 Insurance contracts (continued)

1. Motor

	As at December 31, 2025					As at December 31, 2024 (Reclassified)				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total
Insurance contracts										
Insurance contract liabilities - opening	233,098	22,514	173,921	4,704	434,237	391,038	26,587	261,137	8,558	687,320
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	233,098	22,514	173,921	4,704	434,237	391,038	26,587	261,137	8,558	687,320
Insurance revenue	(869,369)	-	-	-	(869,369)	(941,355)	-	-	-	(941,355)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	933,280	5,719	938,999	-	-	833,682	4,047	837,729
Reversal of losses on onerous contracts	-	(5,834)	-	-	(5,834)	-	(4,073)	-	-	(4,073)
Changes that relate to past service - adjustments to the LIC	-	-	46,195	(3,328)	42,867	-	-	(20,094)	(8,090)	(28,184)
Insurance acquisition cashflows amortisation	139,311	-	-	-	139,311	116,815	-	-	-	116,815
Insurance service expenses	139,311	(5,834)	979,475	2,391	1,115,343	116,815	(4,073)	813,588	(4,043)	922,287
Finance expense (income)/ expense from insurance contracts	-	-	(1,129)	(52)	(1,181)	-	-	3,048	189	3,237
Total changes in the statement of income	(730,058)	(5,834)	978,346	2,339	244,793	(824,540)	(4,073)	816,636	(3,854)	(15,831)
Cashflows										
Premiums received	879,112	-	-	-	879,112	773,875	-	-	-	773,875
Claims and other directly attributable expenses paid	-	-	(911,107)	-	(911,107)	-	-	(902,948)	-	(902,948)
Insurance acquisition cashflows paid	(144,284)	-	-	-	(144,284)	(103,500)	-	-	-	(103,500)
Total cash inflows (outflows)	734,828	-	(911,107)	-	(176,279)	670,375	-	(902,948)	-	(232,573)
Other movements	-	-	-	-	-	(3,775)	-	(904)	-	(4,679)
Insurance contracts										
Insurance contract liabilities – closing	237,868	16,680	241,160	7,043	502,751	233,098	22,514	173,921	4,704	434,237
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	237,868	16,680	241,160	7,043	502,751	233,098	22,514	173,921	4,704	434,237

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ₪ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.1 Insurance contracts (continued)

2. Medical

	As at December 31, 2025					As at December 31, 2024				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total
Insurance contracts										
Insurance contract liabilities - opening	81,641	-	33,306	674	115,621	121,944	12,136	93,607	2,543	230,230
Insurance contract assets – opening	(64,245)	-	41,829	1,251	(21,165)	(2,934)	-	98	2	(2,834)
Opening balance - net	17,396	-	75,135	1,925	94,456	119,010	12,136	93,705	2,545	227,396
Insurance revenue	(274,418)	-	-	-	(274,418)	(438,853)	-	-	-	(438,853)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-		274,054	287	274,341	-	-	371,774	1,960	373,734
(Reversal of) losses on onerous contracts	-	749	-	-	749	-	(12,136)	-	-	(12,136)
Changes that relate to past service - adjustments to the LIC	-		(25,276)	(1,960)	(27,236)	-	-	5,973	(2,595)	3,378
Insurance acquisition cashflows amortisation	44,300	-	-	-	44,300	58,240	-	-	-	58,240
Insurance service expenses	44,300	749	248,778	(1,673)	292,154	58,240	(12,136)	377,747	(635)	423,216
Finance expense from insurance contracts	-	-	805	30	835	-	-	217	15	232
Total changes in the statement of income	(230,118)	749	249,583	(1,643)	18,571	(380,613)	(12,136)	377,964	(620)	(15,405)
Cashflows										
Premiums received	298,217	-	-	-	298,217	330,458	-	-	-	330,458
Claims and other directly attributable expenses paid	-	-	(287,238)	-	(287,238)	-	-	(396,388)	-	(396,388)
Insurance acquisition cashflows paid	(44,087)	-	-	-	(44,087)	(47,033)	-	-	-	(47,033)
Total cash inflows (outflows)	254,130	-	(287,238)	-	(33,108)	283,425	-	(396,388)	-	(112,963)
Other movements	-	-	-	-	-	(4,426)	-	(146)	-	(4,572)
Insurance contracts										
Insurance contract liabilities – closing	43,609	749	35,777	191	80,326	81,641	-	33,306	674	115,621
Insurance contract assets – closing	(2,201)	-	1,703	91	(407)	(64,245)	-	41,829	1,251	(21,165)
Closing balance - net	41,408	749	37,480	282	79,919	17,396	-	75,135	1,925	94,456

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.1 Insurance contracts (continued)

3. Property and Casualty insurance portfolios

	As at December 31, 2025					As at December 31, 2024				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total	Excluding loss component	Loss component	Estimates of present value of FCF	Risk Adjustment for non-financial risk	Total
Insurance contracts										
Insurance contract liabilities - opening	23,570	5,952	127,046	8,037	164,605	23,039	1,262	141,576	9,385	175,262
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	23,570	5,952	127,046	8,037	164,605	23,039	1,262	141,576	9,385	175,262
Insurance revenue	(110,766)				(110,766)	(109,438)				(109,438)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	37,995	1,735	39,730	-	-	60,334	3,162	63,496
(Reversal of) losses on onerous contracts	-	(5,722)	-	-	(5,722)	-	4,690	-	-	4,690
Changes that relate to past service - adjustments to the LIC	-	-	(62,323)	(4,704)	(67,027)	-	-	(47,795)	(4,727)	(52,522)
Insurance acquisition cashflows amortisation	17,176	-	-	-	17,176	14,413	-	-	-	14,413
Insurance service expenses	17,176	(5,722)	(24,328)	(2,969)	(15,843)	14,413	4,690	12,539	(1,565)	30,077
Finance expense from insurance contracts	-	-	2,076	127	2,203	-	-	3,847	217	4,064
Total changes in the statement of income	(93,590)	(5,722)	(22,252)	(2,842)	(124,406)	(95,025)	4,690	16,386	(1,348)	(75,297)
Cashflows										
Premiums received	119,310	-	-	-	119,310	114,055	-	-	-	114,055
Claims and other directly attributable expenses paid	-	-	(24,160)	-	(24,160)	-	-	(30,149)	-	(30,149)
Insurance acquisition cashflows paid	(16,452)	-	-	-	(16,452)	(16,322)	-	-	-	(16,322)
Total cash inflows (outflows)	102,858	-	(24,160)	-	78,698	97,733	-	(30,149)	-	67,584
Other movements	-	-	-	-	-	(2,177)	-	(767)	-	(2,944)
Insurance contracts										
Insurance contract liabilities – closing	32,838	230	80,634	5,195	118,897	23,570	5,952	127,046	8,037	164,605
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance - net	32,838	230	80,634	5,195	118,897	23,570	5,952	127,046	8,037	164,605

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.2 Reinsurance contracts held

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	6,370	4,004	106,828	4,471	121,673	16,238	1,288	91,041	3,103	111,670
Reinsurance contract liabilities – opening	(2,873)	203	1,768	61	(841)	(8,837)	120	1,600	42	(7,075)
Opening balance - net	3,497	4,207	108,596	4,532	120,832	7,401	1,408	92,641	3,145	104,595
Allocation of reinsurance premium	(100,561)	-	-	-	(100,561)	(161,160)	-	-	-	(161,160)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	31,843	1,082	32,925	-	-	104,926	2,156	107,082
Loss-recovery on onerous underlying contracts	-	(4,022)	-	-	(4,022)	-	2,799	-	-	2,799
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(55,163)	(2,700)	(57,863)	-	-	(23,440)	(712)	(24,152)
Amounts (payable) recoverable from reinsurers – net	-	(4,022)	(23,320)	(1,618)	(28,960)	-	2,799	81,486	1,444	85,729
Finance income (expense) from reinsurance contracts	-	-	1,867	68	1,935	-	-	(826)	(57)	(883)
Total changes in the statement of income	(100,561)	(4,022)	(21,453)	(1,550)	(127,586)	(161,160)	2,799	80,660	1,387	(76,314)
Cashflows										
Premiums ceded paid and commission income received	127,563	-	-	-	127,563	157,256	-	-	-	157,256
Recoveries from reinsurance	-	-	(29,929)	-	(29,929)	-	-	(64,705)	-	(64,705)
Total cash inflows (outflows)	127,563	-	(29,929)	-	97,634	157,256	-	(64,705)	-	92,551
Reinsurance contracts										
Reinsurance contract assets - closing	30,592	185	57,218	2,982	90,977	6,370	4,004	106,828	4,471	121,673
Reinsurance contract liabilities - closing	(93)	-	(4)	-	(97)	(2,873)	203	1,768	61	(841)
Closing balance - net	30,499	185	57,214	2,982	90,880	3,497	4,207	108,596	4,532	120,832

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٴ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.2 Reinsurance contracts held (continued)

10.2.2.1 Motor

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage			Asset for incurred claims	
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	(53)	156	108	4	215	(97)	-	-	-	(97)
Reinsurance contract liabilities – opening	(2,043)	203	1,768	61	(11)	(8,823)	120	1,600	44	(7,059)
Opening balance - net	(2,096)	359	1,876	65	204	(8,920)	120	1,600	44	(7,156)
Allocation of reinsurance premium	(13,451)	-	-	-	(13,451)	(13,525)	-	-	-	(13,525)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	1,516	132	1,648	-	-	2,347	5	2,352
Loss-recovery on onerous underlying contracts	-	(359)	-	-	(359)	-	239	-	-	239
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(1,220)	(15)	(1,235)	-	-	2,188	17	2,205
Amounts recoverable from reinsurers - net	-	(359)	296	117	54	-	239	4,535	22	4,796
Finance income (expense) from reinsurance contracts	-	-	(8)	(3)	(11)	-	-	9	(1)	8
Total changes in the statement of income	(13,451)	(359)	288	114	(13,408)	(13,525)	239	4,544	21	(8,721)
Cashflows										
Premiums ceded and acquisition cashflows paid	14,647	-	-	-	14,647	20,349	-	-	-	20,349
Recoveries from reinsurance	-	-	(106)	-	(106)	-	-	(4,268)	-	(4,268)
Total cash inflows (outflows)	14,647	-	(106)	-	14,541	20,349	-	(4,268)	-	16,081
Reinsurance contracts										
Reinsurance contract assets - closing	(900)	-	2,058	179	1,337	(53)	156	108	4	215
Reinsurance contract liabilities - closing	-	-	-	-	-	(2,043)	203	1,768	61	(11)
Closing balance - net	(900)	-	2,058	179	1,337	(2,096)	359	1,876	65	204

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.2 Reinsurance contracts held (continued)

10.2.2.2 Medical

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred Claims		
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	(10,402)	-	19,957	498	10,053	391	425	3,064	58	3,938
Reinsurance contract liabilities – opening	-	-	-	-	-	-	-	-	-	-
Opening balance - net	(10,402)	-	19,957	498	10,053	391	425	3,064	58	3,938
Allocation of reinsurance premium	(9,208)	-	-	-	(9,208)	(62,085)	-	-	-	(62,085)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	10,216	144	10,360	-	-	57,344	505	57,849
Loss-recovery on onerous underlying contracts	-	-	-	-	-	-	(425)	-	-	(425)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(15,106)	(505)	(15,611)	-	-	(2,599)	(59)	(2,658)
Amounts recoverable from reinsurers – net	-	-	(4,890)	(361)	(5,251)	-	(425)	54,745	446	54,766
Finance income (expense) from reinsurance contracts	-	-	295	6	301	-	-	(273)	(6)	(279)
Total changes in the statement of income	(9,208)	-	(4,595)	(355)	(14,158)	(62,085)	(425)	54,472	440	(7,598)
Cashflows										
Premiums ceded and acquisition cashflows paid	22,929	-	-	-	22,929	51,292	-	-	-	51,292
Recoveries from reinsurance	-	-	(13,473)	-	(13,473)	-	-	(37,579)	-	(37,579)
Total cash inflows (outflows)	22,929	-	(13,473)	-	9,456	51,292	-	(37,579)	-	13,713
Reinsurance contracts										
Reinsurance contract assets – closing	3,353	-	1,893	143	5,389	(10,402)	-	19,957	498	10,053
Reinsurance contract liabilities – closing	(34)	-	(4)	-	(38)	-	-	-	-	-
Closing balance - net	3,319	-	1,889	143	5,351	(10,402)	-	19,957	498	10,053

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

10. INSURANCE AND REINSURANCE CONTRACTS (continued)

10.2 Analysis by remaining coverage and incurred claims (continued)

10.2.2 Reinsurance contracts held (continued)

10.2.2.3 Property and Causality reinsurance portfolio

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining Coverage		Asset for incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contracts										
Reinsurance contract assets – opening	16,825	3,848	86,763	3,969	111,405	15,944	863	87,977	3,043	107,827
Reinsurance contract liabilities – opening	(830)	-	-	-	(830)	(14)	-	-	-	(14)
Opening balance - net	15,995	3,848	86,763	3,969	110,575	15,930	863	87,977	3,043	107,813
Allocation of reinsurance premium	(77,902)	-	-	-	(77,902)	(85,550)	-	-	-	(85,550)
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	20,111	806	20,917	-	-	45,235	1,646	46,881
Loss-recovery on onerous underlying contracts	-	(3,663)	-	-	(3,663)	-	2,985	-	-	2,985
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	(38,837)	(2,180)	(41,017)	-	-	(23,029)	(670)	(23,699)
Amounts (payable) recoverable from reinsurers – net	-	(3,663)	(18,726)	(1,374)	(23,763)	-	2,985	22,206	976	26,167
Finance income (expense) from reinsurance contracts	-	-	1,580	65	1,645	-	-	(562)	(50)	(612)
Total changes in the statement of income	(77,902)	(3,663)	(17,146)	(1,309)	(100,020)	(85,550)	2,985	21,644	926	(59,995)
Cashflows										
Premiums ceded and acquisition cashflows paid	106,042	-	-	-	106,042	104,697	-	-	-	104,697
Recoveries from reinsurance	(16,055)	-	(16,350)	-	(32,405)	(19,082)	-	(22,858)	-	(41,940)
Total cash inflows (outflows)	89,987	-	(16,350)	-	73,637	85,615	-	(22,858)	-	62,757
Reinsurance contracts										
Reinsurance contract assets - closing	28,139	185	53,267	2,660	84,251	16,825	3,848	86,763	3,969	111,405
Reinsurance contract liabilities - closing	(59)	-	-	-	(59)	(830)	-	-	-	(830)
Closing balance - net	28,080	185	53,267	2,660	84,192	15,995	3,848	86,763	3,969	110,575

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

11. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Capital work- in-progress	Total
Cost:				
January 1, 2025	10,218	20,059	1,123	31,400
Additions	104	139	-	243
Transfers	22	155	(177)	-
Adjustments	-	-	(501)	(501)
December 31, 2025	10,344	20,353	445	31,142
Accumulated depreciation:				
At January 1, 2025	(6,286)	(17,591)	-	(23,877)
Charge for the year	(1,016)	(1,338)	-	(2,354)
December 31, 2025	(7,302)	(18,929)	-	(26,231)
Net book value:				
December 31, 2025	3,042	1,424	445	4,911

	Leasehold improvements	Furniture, fixtures and office equipment	Capital work- in-progress	Total
Cost:				
January 1, 2024	9,971	18,147	8,358	36,476
Additions	-	1,010	2,497	3,507
Transfers	247	902	(1,149)	-
Adjustments	-	-	(8,583)	(8,583)
December 31, 2024	10,218	20,059	1,123	31,400
Accumulated depreciation:				
January 1, 2024	(5,286)	(16,101)	-	(21,387)
Charge for the year	(1,000)	(1,490)	-	(2,490)
December 31, 2024	(6,286)	(17,591)	-	(23,877)
Net book value:				
December 31, 2024	3,932	2,468	1,123	7,523

Capital work in progress represent mainly certain renovation work in progress on leasehold improvement premises.

The assets' useful lives are reviewed at the end of each reporting date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income under other income.

Depreciation charge for the year has been allocated to other operating expenses.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

12. INTANGIBLE ASSETS

	<u>2025</u>	<u>2024</u>
Cost:		
January 1,	24,714	13,102
Additions	813	11,612
December 31,	<u>25,527</u>	<u>24,714</u>
Accumulated amortisation:		
January 1,	(9,977)	(8,371)
Charge for the year	(3,967)	(1,606)
December 31,	<u>(13,944)</u>	<u>(9,977)</u>
Net book value	<u>11,583</u>	<u>14,737</u>

Amortisation charge for the year has been allocated to other operating expenses.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

a) *Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	<u>2025</u>	<u>2024</u>
Cost:		
January 1,	15,010	9,853
Additions	-	5,157
December 31,	<u>15,010</u>	<u>15,010</u>
Accumulated depreciation:		
January 1,	(7,014)	(3,665)
Charge for the year	(3,466)	(3,349)
December 31,	<u>(10,480)</u>	<u>(7,014)</u>
Net book value	<u>4,530</u>	<u>7,996</u>

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

a) *Amounts recognised in the statement of financial position (continued)*

Lease liabilities

	December 31, 2025	December 31, 2024
Within one year	1,155	3,666
Later than one year but not later than five years	2,410	3,565
	3,565	7,231
Future finance costs	(284)	(503)
Total lease liabilities	3,281	6,728
Current	1,013	3,447
Non-current	2,268	3,281
	3,281	6,728

Movement in lease liabilities is as follows:

	2025	2024
January 1,	6,728	5,846
Derecognition	-	5,157
Finance costs on lease liabilities	219	199
	6,947	11,202
Payments during the year	(3,666)	(4,474)
December 31,	3,281	6,728

b) *Amounts recognised in the statement of income*

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to ﷲ 0.2 million for the year ended December 31, 2025 (December 31, 2024: ﷲ 0.2 million). Expenses relating to short-term leases and low-value leases amounted to ﷲ 1.4 million for the year ended December 31, 2025 (December 31, 2024: ﷲ 1.1 million) which are allocated to insurance service expenses.

c) *Details for leasing activities of the Company*

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not used as security for borrowing purposes.

14. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital, which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. IA (formerly SAMA) is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent. In accordance with the instruction received from the SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission due on statutory deposit as at December 31, 2025 as an asset and a liability in these financial statements. As requested by IA, the Company has released the accrued income on statutory deposit to IA up to December 31, 2025 amounting to ﷲ 3 million.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

15 ACCRUED AND OTHER LIABILITIES

	Insurance Operations		Shareholders' Operations		Total	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
VAT payable	1,528	404	-	-	1,528	404
Withholding tax payable	178	298	-	-	178	298
Accrued expenses	2,004	7,924	2,921	2,749	4,925	10,673
Other	6,615	24,930	67	186	6,682	25,116
	10,325	33,556	2,988	2,935	13,313	36,491

16 EMPLOYEE BENEFIT OBLIGATIONS

16.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The most recent comprehensive actuarial valuation coincided with the year-end reporting date.

	2025	2024
January 1,	20,968	19,772
Charge during the year (note 20)	4,972	4,705
Paid during the year	(1,788)	(3,268)
Remeasurement gain on obligation	(774)	(241)
December 31,	23,378	20,968

16.2 Amounts recognised in the statements of income and comprehensive income

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	2025	2024
Current service cost	3,964	3,890
Past service cost		(76)
Interest expense	1,008	891
Total amount recognised in the statement of income	4,972	4,705
<u>Remeasurements</u>		
Gain from change in financial assumptions	(788)	463
Loss from change in experience assumptions	14	(81)
Gain from change in demographic assumptions	-	(623)
Total amount recognised in the statement of other comprehensive income	(774)	(241)

16.3 Key actuarial assumptions:

	December 31, 2025	December 31, 2024
Discount factor used	4.45%	5.25%
Average salary growth rate	4.45%	5.25%

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

16. EMPLOYEE BENEFIT OBLIGATIONS (continued)

16.4 Sensitivity analysis for actuarial assumptions

	December 31, 2025	
	Percentage (%)	Amount
Discount rate		
Increase	+1.00%	22,095
Decrease	-1.00%	24,817
Expected changes in salary		
Increase	+1.00%	24,916
Decrease	-1.00%	21,983
	December 31, 2024	
	Percentage (%)	Amount
Discount rate		
Increase	+ 1.0 %	19,800
Decrease	- 1.0 %	22,280
Expected changes in salary		
Increase	+ 1.0 %	22,364
Decrease	- 1.0 %	19,703

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

16.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 5.87 years (2024: 5.94 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	5 - 10 years	Total
December 31, 2025	4,001	2,590	7,043	17,772	31,406
December 31, 2024	3,420	2,475	6,476	17,772	30,143

17. SHARE CAPITAL

The authorized, issued and paid-up share capital is ﷲ 500 million at December 31, 2025 consisting of 50 million shares (December 31, 2024: ﷲ 500 million consisting of 50 million shares) of ﷲ 10 each.

The shareholding structure of the Company is as below.

	December 31, 2025		December 31, 2024	
	No. of Shares	Paid up (ﷲ)	No. of Shares	Paid up (ﷲ)
Al Ahlia Insurance Co. – Kuwait	14,334,981	143,349,810	14,334,981	143,349,810
Others	35,665,019	356,650,190	35,665,019	356,650,190
	50,000,000	500,000,000	50,000,000	500,000,000

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ₪ thousands unless otherwise stated)

18. INSURANCE SERVICE RESULTS

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the years ended December 31, 2025 and 2024 is included in following tables respectively. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

For the year ended December 31, 2025:

	Motor	Medical	Property and Casualty	Total
Insurance revenue from contracts measured under PAA	869,369	274,418	110,766	1,254,553
Incurred claims and other incurred insurance service expenses*	(938,999)	(274,341)	(39,730)	(1,253,070)
Changes that relate to past service - adjustments to the LIC	(42,867)	27,236	67,027	51,396
(Losses) on onerous contracts and reversal of the losses	5,834	(749)	5,722	10,807
Insurance acquisition cashflows amortisation	(139,311)	(44,300)	(17,176)	(200,787)
Total insurance service expenses	(1,115,343)	(292,154)	15,843	(1,391,654)
Reinsurance income - contracts measured under the PAA				
Reinsurance premium ceded	(13,451)	(9,208)	(77,902)	(100,561)
Claims recovered and other directly attributable expenses	1,648	10,360	20,917	32,925
Losses on onerous contracts and reversal of the losses	(359)	-	(3,663)	(4,022)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(1,235)	(15,611)	(41,017)	(57,863)
Total net expenses from reinsurance contracts	(13,397)	(14,459)	(101,665)	(129,521)
Insurance service result from Company's directly written business	(259,371)	(32,195)	24,944	(266,622)
Share of surplus from insurance pools				5,044
Total insurance service result				(261,578)

* This includes reversal of surplus amounting to ₪ 6.9 million for the year ended December 31, 2025 (surplus distribution expense of ₪ 0.2 million for the year ended December 31, 2024) (Also see note 33).

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ₪ thousands unless otherwise stated)

18. INSURANCE SERVICE RESULTS (Continued)**For the year ended December 31, 2024:**

	Motor	Medical	Property and casualty	Total
Insurance revenue from contracts measured under PAA	941,355	438,853	109,438	1,489,646
Incurred claims and other incurred insurance service expenses*	(837,729)	(373,734)	(63,496)	(1,274,959)
Changes that relate to past service - adjustments to the LIC	28,184	(3,378)	52,522	77,328
(Losses) on onerous contracts and reversal of the losses	4,073	12,136	(4,690)	11,519
Insurance acquisition cashflows amortisation	(116,815)	(58,240)	(14,413)	(189,468)
Total insurance service expenses	(922,287)	(423,216)	(30,077)	(1,375,580)
Reinsurance income - contracts measured under the PAA				
Reinsurance premium ceded	(13,525)	(62,085)	(85,550)	(161,160)
Claims recovered and other directly attributable expenses	2,352	57,849	46,881	107,082
Losses on onerous contracts and reversal of the losses	239	(425)	2,985	2,799
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	2,205	(2,658)	(23,699)	(24,152)
Total net expenses from reinsurance contracts	(8,729)	(7,319)	(59,383)	(75,431)
Insurance service result from Company's directly written business	10,339	8,318	19,978	38,635
Share of surplus from insurance pools	-	-	-	6,344
Total insurance service result				44,979

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ₪ thousands unless otherwise stated)

19. INSURANCE FINANCE INCOME - NET

An analysis of the net insurance finance income (expense) by product line for year is presented below:

For the year ended December 31, 2025:

	Motor	Medical	Property and Casualty	Total
Finance (expense) income from insurance contracts issued				
Interest accreted	1,181	(835)	(2,203)	(1,857)
Finance (expense) income from insurance contracts issued	1,181	(835)	(2,203)	(1,857)
Finance income (expense) from reinsurance contracts held				
Interest accreted	(11)	296	1,621	1,906
Effects of changes in interest rates and other financial assumptions	-	5	24	29
Finance income (expense) from reinsurance contracts held	(11)	301	1,645	1,935
Net insurance finance (expenses) income	1,170	(534)	(558)	78

For the year ended December 31, 2024:

	Motor	Medical	Property and Casualty	Total
Finance (expense) income from insurance contracts issued				
Interest accreted	(3,237)	(232)	(4,064)	(7,533)
Finance (expense) income from insurance contracts issued	(3,237)	(232)	(4,064)	(7,533)
Finance income (expense) from reinsurance contracts held				
Interest accreted	8	(274)	(605)	(871)
Effects of changes in interest rates and other financial assumptions	-	(5)	(7)	(12)
Finance income (expense) from reinsurance contracts held	8	(279)	(612)	(883)
Net insurance finance income (expenses)	(3,229)	(511)	(4,676)	(8,416)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

20. OTHER OPERATING EXPENSES - NET

	December 31, 2025	December 31, 2024
Salaries and benefits	3,370	4,989
VAT expense	2,465	3,893
Board of directors and other committees' remuneration and expenses	2,858	2,760
Professional fee	71	633
Depreciation and amortization	368	459
Information technology	334	446
Short term and low value leases	51	68
Others	1,220	2,768
	10,737	16,016

Allocation of expenses is as follows:

	Note	December 31, 2025	December 31, 2024
Other incurred insurance service expenses	20.1	109,927	76,902
Insurance acquisition cashflows amortisation	20.1	101,393	106,070
Other operating expenses	20.2	10,737	16,016
		222,057	198,988

20.1 Reported as part of insurance service expenses.

20.2 Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

21. SHARE OF SURPLUS FROM INSURANCE POOLS

	Note	December 31, 2025	December 31, 2024
Share of surplus from Umrah & Hajj scheme	21.1	370	3,646
Share of surplus from Inherent defects insurance	21.2	769	2,698
Share of surplus from Travel and Covid-19 product	21.3	(3,000)	-
Share of surplus from Employer Delinquency product	21.4	6,905	-
		5,044	6,344

21.1 Share of surplus from Umrah & Hajj scheme

This represents the Company's share in the surplus for general accident product arising from the Umrah & haj scheme. The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from 1 January 2020. The compulsory Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah and Hajj. The agreement terms are for 4 years starting from 1 January 2020 and it is renewable for another four years subject to the terms and conditions of the agreement. There is no renewal to the agreement in 2025 as the aforementioned arrangement has been discontinued.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ﷻ thousands unless otherwise stated)

21. SHARE OF SURPLUS FROM INSURANCE POOLS (continued)

21.2 Share of surplus from Inherent defects insurance

This represents the Company's share of surplus 10.25% (2024: 10.25%) in the Inherent Defects Insurance ("IDI") product. On 25 June 2020, an agreement was signed among thirteen insurance companies ("Participating Companies") operating in Kingdom of Saudi Arabia for IDI product, based on IA (formerly SAMA) approval authorizing Malath Cooperative Insurance Company as the leading company ("Operator"), to manage the IDI program on behalf of the participating insurance companies, selling the product and providing its insurance coverage by creating joint insurance portfolios. Malath Cooperative Insurance Company exclusively managed the portfolio during the period of validity of the IDI agreement of five years from issue date.

The agreement expired during the year ended December 31, 2025. Effective 24 June 2025, Tawuniya Cooperative Insurance Company has been appointed as the new operator for IDI. Following an increase in the number of participants from thirteen to seventeen. IDI is a mandatory insurance policy for contractors to insure against inherent defects that may appear in buildings and constructions after their occupation in non-governmental sector projects, according to Saudi Council of Ministers Decree No. 509 of 21/09/1439 AH (corresponding to 05/06/2018) and in accordance with the decision 441/187 of the Governor of SAMA dated 05/08/1441 AH (corresponding to 29/03/2020).

21.3 Share of surplus from Travel and Covid-19 product

Share of surplus from Travel and COVID-19 product principally comprises of income from compulsory travel insurance for Saudi Citizens travelling abroad in addition to coverage related to COVID-19, under an agreement which was signed on 6 April 2021, together with 13 other insurance companies ("Participating Companies"). The agreement was for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The Travel and COVID-19 product distribute the net surplus after deducting all expenses to the Participating Companies in accordance with the regulations and circulars issued by SAMA in this regard. The surplus distributable to the Participating Companies is in proportion of the participation as per the Travel and COVID-19 Product Agreement.

Effective from 1 September, 2022, in accordance with the announcement of General Directorate of Passports (Jawazat), the Travel and COVID-19 product has ceased to write insurance policies for the citizens travelling abroad. Consequently, Travel and COVID-19 portfolio continued as a run-off portfolio until 2024, wherein all premiums earned, claims and related reserves were settled.

21.4 Share of surplus from Employer Delinquency product

This represents the Company's share of surplus 12.4688% (2024: Nil) in the Employers' Delinquency Insurance Pool product. The Company, along with eighteen other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement, effective from November 3, 2024.

This compulsory product covers defaults of entities in paying the rights and entitlements of non-Saudi employees in private sector entities, as offered by the Ministry of Human Resources and Social Development through IA.

The agreement is valid for an initial term of five years, starting from November 3, 2024, and is renewable for another five years, subject to the terms and conditions of the agreement (also refer note 1).

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the control of joint control of a shareholder who has significant influence over the Company), and key management personnel. Related parties also include business entities in which certain directors or senior management have control or joint control. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

a) *There were no significant related party transactions during the year, and there were no related party balances at the end of the year.*

<u>Related parties</u>	<u>Nature of transactions</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Board of Directors	Reinsurance premiums ceded	2,804	4,779
	Reinsurers' share of gross claims paid	264	580

<u>Related parties</u>	<u>Premiums and reinsurance receivables</u>		<u>Reinsurance payables</u>	
	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Board members	-	-	(819)	(1,168)

- Amounts due from/ due to, pertain to transactions conducted with affiliates.
- Prices and terms of payment for these transactions are approved by the management.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the years ended December 31, 2025 and 2024:

b) *The compensation of key management personnel during the year ended December 31, is as follows:*

	<u>2025</u>	<u>2024</u>
Salaries and benefits	5,897	7,346
Employee benefit obligations	350	310
Board of Directors' fees	1,686	1,652
Charge for the year	7,915	9,308

Compensation to key management personnel is based on employment terms and as per the by-laws of the Company.

Key management personnel include senior management, department heads and board of directors.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٢ thousands unless otherwise stated)

23. ZAKAT AND INCOME TAX PAYABLE

(a) *Shareholding percentage*

The shareholding percentage of the Company at December 31, 2025 and December 31, 2024 was as follows:

	December 31, 2025	December 31, 2024
Shareholding percentage subject to zakat (%)	97.3	97.3
Shareholding percentage subject to income tax (%)	2.7	2.7
	100	100

(b) *Zakat*

ZATCA issued the new Regulations for zakat calculation (“the Revised ZATCA Regulations”) which is applicable from fiscal years starting on or after January 1, 2024 and accordingly, the Company calculated the zakat base in accordance with the Revised ZATCA Regulations. Zakat is payable at 2.578% on all components of the zakat base, subject to a minimum and maximum limit as prescribed in the Revised ZATCA Regulations.

The movement in the zakat and income tax provision for the year was as follows:

	2025	2024
January 1,	17,047	18,960
Charge for the year – current	8,238	7,139
Charge for the year – prior	3,544	861
	11,782	8,000
Payments during the year	(19,853)	(9,913)
December 31,	8,976	17,047

The movement in the zakat provision for the year was as follows:

	2025	2024
January 1,	16,538	18,203
Charge for the year – current	7,942	6,630
Charge for the year – prior	3,547	1,171
	11,489	7,801
Payments during the year	(19,347)	(9,466)
December 31,	8,680	16,538

The current year’s zakat provision is based on the following:

	December 31, 2025	December 31, 2024
Equity and provisions at the end of year	444,502	712,935
Liabilities and other additions to Zakat base	376,929	44,966
Investments	(429,306)	(409,534)
Net book value of fixed assets	(16,495)	(22,260)
Goodwill	(4,496)	(4,496)
Statutory deposits	(50,000)	(50,000)
Other deductions	(4,486)	(7,996)
Zakat base	316,648	263,615
Zakat due at 2.578% (Saudi Shareholders’ share of zakat base @ 97.3%)	7,942	6,630

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ₪ thousands unless otherwise stated)

23. ZAKAT AND INCOME TAX PAYABLE (continued)

The movement in the tax provision for the year was as follows:

	2025	2024
January 1,	509	757
Charge for the year – current	296	509
Charge for the year – prior	(3)	(310)
	293	199
Payments during the year	(506)	(447)
December 31,	296	509

(c) *Zakat assessments*

The Company has submitted its zakat and tax returns up to the year ended December 31, 2024 which is still under review by the Zakat, Tax and Customs Authority (“ZATCA”).

In 2024, ZATCA raised final assessments for the years 2021 and 2022 assessing additional zakat liability amounting to ₪ 1.5 million and ₪ 0.9 million respectively. The Company had partially accepted and settled the additional liability related to 2021 and file an objection against the remaining items. The objection was subsequently rejected by ZATCA and the Company filed appeal to Tax Violations and Disputes Resolution Committees (“TVDRC”) which is currently under review. The Company settled 2022 additional assessment without objection.

The Company also received an assessment for year 2023 from ZATCA claiming additional tax liability amounting to ₪ 169,000. The Company settled full amounts under protest and raised objection on the conflicted item. Following the rejection by ZATCA, the Company filed appeal to Tax Violations and Disputes Resolution Committees (“TVDRC”) which is currently under review.

Management believes that the level of the existing provision for zakat and income tax maintained by the Company is presently sufficient to cover such uncertain zakat and income tax positions.

Value added tax

The Company has received clearance for VAT till year ended December 31, 2023. The company is currently being assessed by ZATCA for the VAT year 2024 and has not received assessment results yet.

24. STATUTORY RESERVE

In accordance with By-laws of the Company and Article 70(2)(g) of the Implementing Regulation for Co-operative Insurance Companies issued by the Insurance Authority, formerly SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted (loss) / earnings per share is calculated by dividing total (loss) / income for the period attributable to the shareholders for the year by the weighted average number of outstanding shares during the year.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

25. BASIC AND DILUTED EARNINGS PER SHARE (Continued)

Basic and diluted earnings per share for the year ended December 31, 2025 and 2024 is calculated by dividing net profit for the year attributable to the shareholders by the weighted average number of outstanding shares during the year.

The Company's shareholders, in an EOGM during 2024, approved the Company's proposed increase in the share capital by ﷲ 50 million through issuance of bonus shares. Accordingly, the weighted average number of shares has been retrospectively adjusted for the current period as well as the prior period to reflect the impact of aforementioned bonus issue as required by IAS 33, 'Earnings per share' as follows:

The Company announced the submission of the capital increase file to the Capital Market Authority ("CMA") on February 2, 2024, to increase the Company's share capital from ﷲ 450 million to ﷲ 500 million through the issuance of bonus shares, in accordance with the applicable rules and regulations and subject to obtaining the required regulatory and shareholders' approvals. Upon completion and registration of the capital increase, the weighted average number of shares will be retrospectively adjusted for the prior period(s) to reflect the bonus element, as required by IAS 33, Earnings per share, as follows:

	For the year ended December 31,	
	2025	2024
Issued ordinary shares at 1 January,	50,000	45,000
Bonus shares issue adjustment	-	5,000
Weighted average number of ordinary shares	50,000	50,000
Total (loss) / income for the period attributable to the shareholders	(244,444)	49,134
Basic and diluted (loss) / earnings per share	(4.89)	0.98

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates. The amortised costs of the sukuk is approximates the fair value as these sukuk are based on prevailing market interest rates.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) *Carrying amounts and fair value*

Shareholders operations

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Investments at FVOCI	-	-	78,868	78,868
Investments at FVTPL	106,204	8,707	39,004	153,915
	106,204	8,707	117,872	232,783
	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments at FVOCI	-	-	67,270	67,270
Investments at FVTPL	109,107	8,138	39,347	156,592
	109,107	8,138	106,617	223,862

The fair value of investment in quoted equity instruments include ordinary shares at level 1 based on quoted prices available in the market. Additionally, there were no changes in the valuation techniques. Fair values of private mutual funds classified in Level 3, except for najm, are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund.

Specific valuation techniques used by management's independent experts to value Najm investments (level 3), are as follows:

- **Discounted cashflows ("DCF") method:** The DCF valuation to discount the future operating cash flows of the Company to their present value using a weighted average cost of capital as the discount rate ("WACC"). The value derived from such an analysis results into a value for the enterprise (the "Enterprise Value"). This value includes the equity value of the company in addition to its net debt position. In order to arrive to an equity value of a company (the "Equity Value"), all outstanding financial debt and debt-like items, adjusted for excess cash and other liquid financial assets such as Murabaha and other investments, are subtracted from the Enterprise Value; and
- **Market multiples method:** The acquisition multiples of comparable private precedent transactions were assessed to indicate the value of the Company based on similar private transactions that have occurred during the previous period and covering full economic cycle. The Company has relied on local multiples valuation consisting of companies operating with a similar business model.

A weight of 60% and 40% are then applied to the fair values determined under both methods, to arrive at the equity valuation of Najm and the Company then accounts for its share in equity of Najm i.e. 3.45%.

Cash and cash equivalents, deposits, statutory deposit, accrued income on statutory deposits and the financial liabilities except employee benefit obligations are measured at amortized cost.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Furthermore, there were no transfers into and out of level 3 measurements.

(b) *Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy*

	December 31, 2025	December 31, 2024
Balance at the beginning of the year	106,617	87,992
Unrealised (loss) gain on fair value through FVTPL	(343)	964
Unrealised gain on fair value through FVOCI	11,598	17,661
Balance at the end of the year	117,872	106,617

Such unrealised gain on fair value of FVOCI is routed through other comprehensive income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ₪ thousands unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) *The below table shows significant unobservable inputs used in the valuation of level 3 Najm investments.*

	Fair value		Unobservable inputs		Range of inputs		Relationship of Unobservable input to Fair value
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	
Unquoted equity investment in Najm	72,722	61,124	Revenue growth rate	Revenue growth rate	9.0%	9.9%	Reducing the revenue growth rate by 100 basis points, would decrease the fair value by ₪ 0.8 million. (2024: ₪ 0.6 million)
			WACC	WACC	17%	16.5%	Increasing the WACC by 100 basis points, would decrease the fair value by ₪ 1.9 million. (2024: ₪ 1.7 million)
			Terminal value growth rate	Terminal value growth rate	1.5%	1.5%	Reducing the terminal value growth rate to 0.5%, would decrease the fair value by ₪ 1 million. (2024: ₪ 1.1 million)
			EV/EBITDA multiple	EV/EBITDA multiple	6	7	Reducing the EV/EBITDA multiple to 5.4, would decrease the fair value by ₪ 1.9 million (2024: ₪ 1.44 million).

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(d) *Valuation process*

The finance department of the Company performs the valuations of level 3 fair values required for financial reporting purposes with the help of consultant. This team reports directly to the Chief Financial Officer (CFO), Investment Committee and the Audit Committee. Discussions of valuation processes and results are held between the CFO, Audit committee, Investment Committee and the Finance team regularly. The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Terminal value growth rate is derived from publicly available databases.
- Earnings growth factors for unlisted equity securities are estimated based on such Company's own historical results.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

27. OPERATING SEGMENTS

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

The Board of Directors of the Company monitors the results of the Company's operations and have been identified as the Chief Operating Decision Maker (CODM). The net results of the Company are reported to the Board of Directors for the Company as a whole. Furthermore, the Company operates in one geographical area i.e. Kingdom of Saudi Arabia.

Accordingly, segmental analysis of the statement of income and other comprehensive income and statement of financial position is not carried out as the CODM considers the Company to be a single operating segment based on the nature of its operations and products. However, the Company has disclosed its insurance related balances/results by product lines, which are determined based on the disaggregation principles of IFRS 17. These include insurance contract liabilities/assets, reinsurance contract assets/liabilities, insurance service results and insurance finance income/expenses. Refer Notes 10, 18 and 19 for such analysis.

28. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors of the Company. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, and market risk.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralised oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures.

The internal audit department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

Risk governance (continued)

The risks faced by the Company and the manner in which these risks are mitigated by management are summarised below:

28.1 Insurance risk

The Company's overall risk management program, which is carried out by senior management under licenses reviewed by the Executive Committee and approved by the Company's Board of Directors. The Executive Committee monitors the adequate application of the policy, and it reviews the trends in pricing, loss ratios and underwriting risks.

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages this risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business. The Risk management committee closely reviews decisions related to claims and periodically assesses claim handling processes and guidelines. Additionally, risk management committee establishes and implements appropriate reserving mechanisms.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor portfolio.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates primarily in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Reinsurance Risk

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Reinsurance Committee. The criteria may be summarized as follows:

- The reinsurers selected met the Insurance Authority's minimum acceptable rating of BBB from a reputable credit agency;
- Reputation of particular reinsurance companies; and
- Existing or past business relationship with the reinsurer.

The Company evaluates concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to the acceptable levels. Additionally, it conducts regular actuarial reviews of reinsurance and have the well-defined strategy and plan in place to effectively manage this risk. Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for reinsurance business. As at December 31, 2025, 32.5% of reinsurance receivables balance was due from one party (December 31, 2024: 35.1% due from one party).

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of insurance contract liabilities reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous year.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	December 31, 2025			December 31, 2024		
	Insurance contracts issued	Reinsurance contracts held	Net	Insurance contracts issued	Reinsurance contracts held	Net
Motor	502,751	(1,337)	501,414	434,237	(204)	434,033
Medical	79,919	(5,351)	74,568	94,456	(10,053)	84,403
Property and Casualty	118,897	(84,192)	34,705	164,605	(110,575)	54,030
Total	701,567	(90,880)	610,687	693,298	(120,832)	572,466

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Reinsurance Risk (continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims at the statement of financial position date. The details of estimation of insurance contract liabilities are given under Note 4.

Process used to determine assumptions

The process used to determine the assumptions for calculating the estimate of present value of cash flows is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of estimate of present value of cash flows is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. Such estimates are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

Sensitivity analysis on significant assumptions used

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting periods below are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the financial statements. The insurance results are sensitive to various assumptions. It has not been possible to quantify the sensitivity specific variable such as legislative changes or uncertainties in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss before tax and equity for reasonably possible movements in key assumptions with all other assumptions in note 4 held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	December 31, 2025	December 31, 2024
Liability for incurred claims		
Estimates of present value of FCF	359,274	376,102
Risk adjustment for non-financial risk	12,520	14,666
Asset for incurred claims		
Estimates of present value of FCF	57,214	108,596
Risk adjustment for non-financial risk	2,982	4,532

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٢ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Following are the sensitivities derived for the portfolios computed under PAA approach before risk mitigation by insurance contracts held:

	2025	2024
	Impact on profit before zakat	Impact on profit before zakat
Change in estimates of present value of FCF		
Increase of 5% in the ultimate claims cost	(24,374)	(15,517)
Decrease of 5% in the ultimate claims cost	10,251	15,077
Change in risk adjustment for non-financial risk		
5 percentiles increase in the confidence level	(3,407)	(4,030)
5 percentiles decrease in the confidence level	3,108	3,568

Following are the sensitivities derived for the portfolios computed under PAA approach for the reinsurance contracts held:

	2025	2024
	Impact on loss before zakat	Impact on profit before zakat
Change in estimates of present value of FCF		
Increase of 5% in the ultimate claims cost	126	298
Decrease of 5% in the ultimate claims cost	(26)	(472)
Change in risk adjustment for non-financial risk		
5 percentiles increase in the confidence level	816	1,181
5 percentiles decrease in the confidence level	(723)	(1,049)

The following shows the impact of a reasonable possible change in direct expense ratio on the loss component as at the reporting date.

	2025	2024
Impact on net income of change in direct expense ratio – loss component*		
Increase by 2%	(25,086)	(29,381)
Decrease by 2%	25,086	29,381

*Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the period to earned premium.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and claims not reported for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٢ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)**28.1 Insurance risk** (continued)**Claims development table** (continued)

2025 Accident year	2020 and earlier	2021	2022	2023	2024	2025	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	-	630,653	880,802	844,376	1,179,103	1,255,841	1,255,841
1 year later	-	585,419	864,508	841,621	1,177,838	-	1,177,838
2 years later	-	573,201	850,478	843,574	-	-	843,574
3 years later	-	574,283	841,200	-	-	-	841,200
4 years later	-	565,833	-	-	-	-	565,833
5 years later	37,949	-	-	-	-	-	37,949
Gross estimates of the undiscounted amount of the claims	37,949	565,833	841,200	843,574	1,177,838	1,255,841	4,722,235
Cumulative gross claims and other directly attributable expenses paid	-	(554,557)	(834,819)	(832,669)	(1,147,731)	(1,003,325)	(4,373,101)
Gross undiscounted liabilities for other incurred insurance service expenses	37,949	11,276	6,381	10,905	30,107	252,516	349,134
Effect of discounting	(877)	(353)	(224)	(505)	(1,319)	(3,945)	(7,223)
Surplus Payable	4,101	1,943	2,272	6,774	2,275	-	17,365
Gross discounted liabilities for incurred claims excluding risk adjustment	41,173	12,866	8,429	17,174	31,063	248,571	359,276
Effect of the risk adjustment margin for non-financial risk	1,473	634	291	466	1,661	7,993	12,518
Gross liabilities for incurred claims	42,646	13,500	8,720	17,640	32,724	256,564	371,794

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Claims development table (continued)

2024 Accident year	2019 and earlier	2020	2021	2022	2023	2024	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	-	572,830	630,653	880,802	844,376	1,179,103	1,179,103
1 year later	-	549,912	585,419	864,508	841,621	-	841,621
2 years later	-	520,638	573,201	850,478	-	-	850,478
3 years later	-	535,008	574,283	-	-	-	574,283
4 years later	-	534,718	-	-	-	-	534,718
5 years later	27,491	-	-	-	-	-	27,491
Gross estimates of the undiscounted amount of the claims	27,491	534,718	574,283	850,478	841,621	1,179,103	4,007,694
Cumulative gross claims and other directly attributable expenses paid	-	(503,648)	(552,938)	(830,510)	(823,745)	(939,562)	(3,650,403)
Gross undiscounted liabilities for incurred claims	27,491	31,070	21,345	19,968	17,876	239,541	357,291
Effect of discounting	(1,455)	(392)	(712)	(499)	(1,512)	(4,404)	(8,974)
Surplus payable	8,775	5,848	2,239	2,784	5,547	2,592	27,785
Gross discounted liabilities for incurred claims excluding risk adjustment	34,811	36,526	22,872	22,253	21,911	237,729	376,102
Effect of the risk adjustment margin for non-financial risk	908	1,648	1,073	1,006	723	9,308	14,666
Gross liabilities for incurred claims	35,719	38,174	23,945	23,259	22,634	247,037	390,768

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٴ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Claims development table (continued)

2025 Accident year	2020 and earlier	2021	2022	2023	2024	2025	Total
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	-	580,609	816,237	812,273	1,077,838	1,223,579	1,223,579
1 year later	-	546,141	816,653	818,438	1,115,762	-	1,115,762
2 years later	-	541,331	812,105	826,423	-	-	826,423
3 years later	-	542,035	807,688	-	-	-	807,688
4 years later	-	539,724	-	-	-	-	539,724
5 years later	22,215	-	-	-	-	-	22,215
Net estimates of the undiscounted amount of the claims	22,215	539,724	807,688	826,423	1,115,762	1,223,579	4,535,391
Cumulative net claims and other directly attributable expenses paid	-	(536,299)	(802,751)	(819,794)	(1,094,541)	(991,958)	(4,245,343)
Net undiscounted liabilities for other incurred insurance service expenses	22,215	3,425	4,937	6,629	21,221	231,621	290,048
Effect of discounting	(347)	(104)	(80)	(226)	(926)	(3,669)	(5,352)
Surplus payable	4,101	1,943	2,272	6,774	2,275	-	17,365
Net discounted liabilities for incurred claims excluding risk adjustment	25,969	5,264	7,129	13,177	22,570	227,952	302,061
Effect of the risk adjustment margin for non-financial risk	565	175	218	224	1,199	7,156	9,537
Net liabilities for incurred claims	26,534	5,439	7,347	13,401	23,769	235,108	311,598

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٢ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

Claims development table (continued)

2024	2019 and earlier	2020	2021	2022	2023	2024	Total
Accident year							
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	-	516,716	580,609	816,237	812,273	1,077,838	1,077,838
1 year later	-	499,458	546,141	816,653	818,438	-	818,438
2 years later	-	493,810	541,331	812,105	-	-	812,105
3 years later	-	495,922	542,035	-	-	-	542,035
4 years later	-	496,450	-	-	-	-	496,450
5 years later	24,729	-	-	-	-	-	24,729
Net estimates of the undiscounted amount of the claims	24,729	496,450	542,035	812,105	818,438	1,077,838	3,771,595
Cumulative net claims and other directly attributable expenses paid	-	(487,080)	(534,617)	(798,570)	(811,198)	(895,174)	(3,526,639)
Net undiscounted liabilities for incurred claims	24,729	9,370	7,418	13,535	7,240	182,664	244,956
Effect of discounting	(660)	(117)	(239)	(230)	(423)	(3,566)	(5,235)
Surplus Liability	8,775	5,848	2,239	2,784	5,547	2,592	27,785
Net discounted liabilities for incurred claims excluding risk adjustment	32,844	15,101	9,418	16,089	12,364	181,690	267,506
Effect of the risk adjustment margin for non-financial risk	628	1,139	741	695	500	6,431	10,134
Net liabilities for incurred claims	33,472	16,240	10,159	16,784	12,864	188,121	277,640

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.1 Insurance risk (continued)

The reconciliation of the net liabilities for incurred claims with the aggregate carrying amounts of the groups of insurance contracts and reinsurance contracts is presented below:

	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
December 31, 2025			
Gross liabilities for incurred claims	354,855	12,520	367,375
Amounts recoverable from reinsurers	(57,214)	(2,982)	(60,196)
Net liabilities for incurred claims	297,641	9,538	307,179

	Estimates of present value of FCF	Risk adjustment for non- financial risk	Total
December 31, 2024			
Gross liabilities for incurred claims	376,102	14,666	390,768
Amounts recoverable from reinsurers	(108,596)	(4,532)	(113,128)
Net liabilities for incurred claims	267,506	10,134	277,640

28.2 Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, term deposits, premiums and insurance balances receivable - net, investments, accrued income on statutory deposit, reinsurer's share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets (included in prepaid expenses and other assets). The Company's principal financial liabilities are reinsurance balances payable, outstanding claims, claims incurred but not reported, accrued and other liabilities, accounts payable, dividend payable, surplus distribution payable and amounts due to a related party.

The main risks arising from the Company's financial instruments are market risks (including price risk, currency risk and commission rate risk), credit risk, liquidity risk and, which are summarized below:

28.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

The market risk policy is predominantly based on the three types of risks.

- (i) The currency risk is not required to be managed as Saudi Riyal is pegged to the United States Dollar and the transactions are processed in the local currency.
- (ii) The commission rate risk is managed by considering diversification of portfolio with having mix of fixed and floating rate instruments to offset the impact of interest rate changes on the overall portfolio. Further, the regular review is performed to monitor the trend and adjust the mix of investment.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷻ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.2 Financial risk (continued)

28.2.1 Market risk (continued)

(iii) The price risk is managed by diversifying the investment portfolio across different industries with ongoing monitoring of trends.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board of Directors gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

a) *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than ﷻ and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

b) *Commission rate risk*

Commission rate risk is the risk that the value or future cash flows of a financial instrument will change because of change in market commission rates.

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value commission rate risk.

There is no direct contractual relationship between financial assets and insurance and reinsurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net commission rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The Company has no significant concentration of interest rate risk.

The Company is exposed to commission rate risk through its deposits and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.2 Financial risk (continued)

28.2.1 Market risk (continued)

b) Commission rate risk (continued)

The Company's exposure to commission rate risk sensitive insurance and reinsurance contracts, deposits and debt instruments are, as follows:

	December 31, 2025	December 31, 2024
Insurance contract liabilities, net	(1,857)	(7,533)
Reinsurance contract assets, net	1,935	(883)
Term deposits	25,107	41,710
Investments at amortized cost	16,111	17,417

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and net equity. The correlation of variables will have a significant effect in determining the ultimate impact of commission rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

	Changes in commission rate	2025	2024
Insurance contract liabilities, net	5%	(93)	(377)
Reinsurance contract assets, net	5%	97	(44)
Debt instruments at amortized cost	5%	806	871
Term deposits	5%	1,255	2,086
Insurance contract liabilities, net	-5%	93	377
Reinsurance contract assets, net	-5%	(97)	44
Debt instruments at amortized cost	-5%	(806)	(871)
Term deposits	-5%	(1,255)	(2,086)

c) Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's FVTPL and FVOCI investments amounting to ﷲ 146.2 million (2024: ﷲ 93.9 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.2 Financial risk (continued)

28.2.1 Market risk (continued)

c) *Price risk (continued)*

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of financial assets held at FVTPL (Level 1 and Level 2) on net profit and net equity would be as follows:

% change in equity price	December 31, 2025	December 31, 2024
+5	11,639	11,193
- 5	(11,639)	(11,193)

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of financial assets held at FVOCI (Debt instruments) on other comprehensive income and fair value reserve would be as follows:

% change in debt price	December 31, 2025	December 31, 2024
+5	16,991	17,328
-5	(16,991)	(17,328)

For sensitivity analysis relating to financial assets held at FVOCI (equity instruments), refer Note 26(c).

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2025 and 2024. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

28.3 Credit risk

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. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings. The Company's policy is to invest in high-quality, liquid (that is, investment-grade) financial instruments. The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with either investment grade or satisfactory non-investment grade credit rating.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.3 Credit risk (continued)

The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position:

	December 31, 2025	December 31, 2024
Cash and cash equivalents	94,988	106,067
Term deposits	308,909	561,991
Reinsurance contract assets	90,977	121,673
Insurance contract assets	407	21,165
Investments carried at fair value	232,783	223,862
Investments at amortized cost	339,833	346,564
Statutory deposit	50,000	50,000
Accrued income on statutory deposit	586	509
Other assets (included in prepaid expenses and other assets)	49,651	37,919
Total	1,168,134	1,469,750

Credit quality

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and debt instruments held at FVOCI only, based on changes in credit quality since initial recognition. Also see Note 3.4 (iii) for further details regarding impairment.

The Company uses "low credit risk" practical expedient for the cash and cash equivalents, term deposits, debt instruments at FVOCI, statutory deposits with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months.

Management does not expect any losses from non-performance by these counterparties. At December 31, 2025 and 2024, the ECL allowance on cash at bank was immaterial.

The gross carrying amount of cash and cash equivalents, term deposits, investments and statutory deposits represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1, except for certain investments which are classified as satisfactory. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P and Fitch) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered speculative/satisfactory grade with a higher default risk. The Company's exposures to credit risk are not collateralized. At December 31, 2025 and 2024, the ECL allowance on such financial assets was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At December 31, 2025 and 2024, the ECL allowance on other financial assets was immaterial.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.3 Credit risk (continued)

Credit quality

	2025	2024	2025	2024	2025	2024
	Investment grade		Satisfactory		Past due impaired	
Cash and cash equivalent	94,988	106,067	-	-	-	-
Insurance contract assets	-	-	407	21,165	-	-
Reinsurance contract assets	-	-	90,977	121,673	-	-
Term deposits	308,909	561,991	-	-	-	-
Investments carried at FVTPL	24,517	24,216	188,359	179,367	19,907	20,279
Investments carried at amortized cost	338,867	338,599	966	7,965	-	-
Statutory deposits	50,000	50,000	-	-	-	-
Accrued income on statutory deposit	586	509	-	-	-	-
Other assets (included in prepaid expenses and other assets)	-	-	49,651	37,919	-	-
Total	817,867	1,081,382	330,360	368,089	19,907	20,279

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment. Also see Notes 3.4 and 4 (v), for further details in this regard.

28.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. Further, the Company manages liquidity risk as follows:

- The Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- The company ensures the use of sound asset-liability management practices.
- The company ensures the use of a variety of techniques for funds management.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.4 Liquidity risk (continued)

Further, the Company utilises stress testing conducted by the risk management department to identify potential liquidity shortages and address them. Stress and scenario tests are conducted to assess the anticipated financial and non-financial repercussions of adverse circumstances and events occurring within the relevant time horizon. Stress tests considers fluctuations in key financial parameters, such as interest rates, asset values, or liability values. On the other hand, scenario tests involve the causes of adverse developments, such as a significant natural catastrophe or a major industrial incident.

To assess the company's resilience to uncontrollable negative events, hypothetical scenarios or scenarios based on industry information are created. The impact of these changes is evaluated based on various factors, including return on equity, solvency margin, liquidity of the company, and the average credit rating of reinsurance counterparties.

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2025 and 2024. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	2025			2024		
	Less than one year	More than 12 months	Total	Less than one year	More than 12 months	Total
Cash and cash equivalents	94,988	-	94,988	106,067	-	106,067
Term deposits	248,616	60,293	308,909	401,472	160,519	561,991
Prepaid expenses and other assets	49,651	-	49,651	37,919	-	37,919
Investments at fair value	96,943	135,840	232,783	100,149	123,713	223,862
Investments at amortized cost	-	339,833	339,833	30,416	316,148	346,564
Statutory deposit	50,000	-	50,000	50,000	-	50,000
Insurance contract assets	407	-	407	21,165	-	21,165
Reinsurance contract assets	90,977	-	90,977	121,673	-	121,673
Accrued income on statutory deposit	586	-	586	509	-	509
Total	632,168	535,966	1,168,134	869,370	600,380	1,469,750

	2025			2024		
	Less than one year	More than 12 months	Total	Less than one year	More than 12 months	Total
Accrued and other liabilities	11,607	-	11,607	35,789	-	35,789
Accrued commission income payable to the Insurance Authority	586	-	586	1,331	-	1,331
Insurance contract liabilities	685,684	16,290	701,974	714,463	-	714,463
Reinsurance contract liabilities	97	-	97	841	-	841
Employee benefit obligations	-	23,378	23,378	20,968	-	20,968
Total	697,974	39,668	737,642	773,392	-	773,392
Total liquidity gap	(65,806)	496,298	430,492	95,978	600,380	696,358

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to ﷲ 7.5 million and ﷲ 1.7 million, respectively (2024: ﷲ 5.2 million and ﷲ 0.7 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively. The maturity analysis for insurance and reinsurance contract liabilities is disclosed separately below on contractual undiscounted cash flows basis.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.4 Liquidity risk (continued)

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Fair value through profit or loss investments includes investments in mutual funds and equity and are held for cash management purposes and expected to be matured or settled within 12 months from the balance sheet date.
- Term deposits includes deposits placed with high credit rating financial institutions with maturities of less than 12 and more than 12 months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers contract assets mainly pertain to property and casualty segment and are generally realized within 6 to 9 months based on settlement of claims.

The liabilities with maturity less than one year are expected to settle as follows:

- Majority of insurance contract liabilities are expected to be settled within 12 months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.
- Accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date.
- Accrued commission income to the Insurance Authority is payable on demand and hence classified as current.
- Employee benefit obligations are expected to settle based on the maturity analysis disclosed in note 16.

The assets with maturity more than one year are expected to realize as follows:

- Term deposits includes deposits placed with high credit rating financial institutions with maximum maturities of about 18 months from the date of placement.
- Fair value through profit or loss investments includes investments in equity instruments, which are strategically placed and expected to be matured or settled in the normal course.
- Fair value through other comprehensive income investments includes investments in Najm (equity instruments), which are strategic investments as mandated by the Insurance Authority, and debt instruments, which have the hold to collect and sell model. All such investments are expected to be settled in the normal course based on investment strategies, upon targeted gains achieved.
- Statutory deposits can be liquidated only upon consent from the Insurance Authority.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

28. RISK MANAGEMENT (continued)

28.5 Capital risk management

The objectives are set by the Board of Directors of the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value are:

- To comply with the insurance capital requirements as set out in the Law on Supervision of Cooperative Insurance Companies. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

As per Article 66 of the Insurance Authority's Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of ﷲ 100 million;
- Premium solvency margin; or
- Claims solvency margin.

As of December 31, 2025, the Company is in compliance with the minimum solvency margin as required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

29. COMMITMENTS AND CONTINGENCIES

(a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have material impact on the Company's results or financial position.

In the normal course of business, the Company settles motor insurance claims. Under the terms of the insurance arrangement, the Company may be entitled to recover amounts from individual third parties through subrogation, up to the value of the claims previously settled. As at the reporting date, the potential inflow from these recoveries is estimated at ﷲ 194.5 million (2024: ﷲ 163.2 million). A significant portion of these recoveries involve individuals, and such recoveries are often subject to uncertainty due to challenges in locating the responsible parties and the possibility of limited financial capacity on their part. Given these uncertainties, the timing and amount of any eventual recovery remain outside the Company's control and are dependent on the success of the recovery actions pursued. In line with its accounting policy, the Company recognizes recoveries only when they are actually collected.

(b) Capital commitments

At December 31, 2025, the Company had no outstanding commitment (December 31, 2024: Nil).

30. AUDITORS' REMUNERATION

Auditors' fee for 2025 audit and review services amounts to ﷲ 1.02 million (2024: ﷲ 0.8 million) and their fee for other statutory services amounts to ﷲ 0.04 million (2024: ﷲ 0.04 million).

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٴ thousands unless otherwise stated)

31. GROSS WRITTEN PREMIUM

Details relating to gross written premium are disclosed below to comply with the requirements of Insurance Authority and are not calculated as per the requirements of IFRS 17.

For the year ended December 31, 2025

	Motor	Medical	Property & Casualty	Total
Retail	732,597	16,079	2,585	751,261
Very small	21,182	110,822	10,578	142,582
Small	47,574	27,237	21,433	96,244
Medium	46,217	35,943	27,126	109,286
Corporate	26,908	40,933	38,288	106,129
Total	874,478	231,014	100,010	1,205,502

For the year ended December 31, 2024

	Motor	Medical	Property & casualty	Total
Retail	630,554	8,629	17,196	656,379
Very small	8,579	140,553	6,658	155,790
Small	36,459	38,248	19,940	94,647
Medium	30,543	24,153	52,374	107,070
Corporate	118,524	139,511	44,891	302,926
Total	824,659	351,094	141,059	1,316,812

32. NET WRITTEN PREMIUM

Details relating to net written premium are disclosed below to comply with the requirements of Insurance Authority and are not calculated as per the requirements of IFRS 17.

For the year ended December 31, 2025

Item	Motor	Medical	Property & Casualty	Total
Gross written premium	874,478	231,014	100,010	1,205,502
Reinsurance premium ceded - globally (including excess of loss)	(10,687)	(6,006)	(64,141)	(80,834)
Reinsurance premium ceded - locally (including excess of loss)	(3,031)	(1,578)	(20,407)	(25,016)
Net written premium -total	860,760	223,430	15,462	1,099,652

For the year ended December 31, 2024

Item	Motor	Medical	Property & casualty	Total
Gross written premium	824,659	351,094	141,059	1,316,812
Reinsurance premium ceded - globally (including excess of loss)	(10,022)	(61,640)	(108,059)	(179,721)
Reinsurance premium ceded - locally (including excess of loss)	(3,123)	(3,219)	(15,829)	(22,171)
Net written premium -total	811,514	286,235	17,171	1,114,920

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

33. SURPLUS DISTRIBUTION

The surplus payables to policyholders for the year December 31, 2025 amounts to ﷲ 17.4 million (2024: ﷲ 27.8 million).

34. DIVIDEND

During the year ended December 31, 2025, the Board of Directors recommended a dividend distribution of ﷲ 30 million at ﷲ 0.6 per share (2024: ﷲ 27 million) which was approved by Shareholders during general assembly meeting held on May 21, 2025.

35. RECLASSIFICATION OF COMPARATIVE PERIOD

During the current period, the Company has done few reclassifications as mentioned below;

35.1 Reassessed the classification of amounts recoverable from salvage activities previously presented under other receivables. To align with the presentation and measurement requirements of IFRS 17 - Insurance Contracts, these balances have been reclassified / restated to Liabilities for Incurred Claims (LIC). This reclassification / restatement better reflects the nature of these amounts as recoveries directly related to claims settlement activities.

35.2 The Company has reclassified / restated Murabaha receivable amounts previously presented under other receivables to be included within the carrying amount of term deposits and investments measured at amortized cost, in accordance with the classification and measurement principles of IFRS 9 - Financial Instruments.

35.3 In addition, the Company has reclassified / restated intangible assets previously included under "Property and equipment" to a separate line item titled Intangible Assets, in accordance with the presentation and recognition requirements of IAS 16 - Property, Plant and Equipment and IAS 38 – Intangible Assets. This reclassification / restatement provides a more accurate presentation of the nature and classification of these assets.

This change in presentation has no impact on the total equity or profit reported in prior periods. Comparative figures have been restated/ reclassified accordingly for consistency. Statement of cash flows (restated) includes the effects of above reclassifications

The impact of reclassification on the statement of financial position as at December 31, 2024 and January 1, 2024 are as follows:

Statement of financial position as of December 31, 2024:

	Note	Balance as previously reported - Audited	Effect of reclassification	Balance as restated
Financial assets at amortized cost	35.2	342,183	4,381	346,564
Financial assets at fair value	35.2	223,596	266	223,862
	35.1 &			
Prepaid expenses and other assets	35.2	97,296	(54,354)	42,942
Term deposits	35.2	553,540	8,451	561,991
Insurance contract liabilities	35.1	(755,719)	41,256	(714,463)
Property and equipment	35.3	22,260	(14,737)	7,523
Intangible assets	35.3	-	14,737	14,737

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٴ thousands unless otherwise stated)

35. RECLASSIFICATION OF COMPARATIVE PERIOD (Continued)**Statement of financial position as of January 1, 2024:**

	Note	Balance as previously reported - Audited	Effect of reclassification	Balance as restated
Financial assets at amortized cost	35.2	337,948	3,551	341,499
Financial assets at fair value	35.2	215,296	266	215,562
Prepaid expenses and other assets	35.1 & 35.2	99,053	(21,298)	77,755
Term deposits	35.2	949,500	17,021	966,521
Insurance contract liabilities	35.1	(1,093,272)	460	(1,092,812)
Property and equipment	35.3	19,820	(4,731)	15,089
Intangible assets	35.3	-	4,731	4,731

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٬ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION

As required by the Insurance Authority's Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

STATEMENT OF FINANCIAL POSITION

	December 31, 2025			December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	93,387	1,601	94,988	75,858	30,209	106,067
Term deposits	247,923	60,986	308,909	428,463	133,528	561,991
Investments:						
Financial assets at fair value	-	232,783	232,783	-	223,862	223,862
Financial assets at amortized cost	267,703	72,130	339,833	247,534	99,030	346,564
Prepaid expenses and other assets	57,186	-	57,186	42,942	-	42,942
Insurance contract assets	407	-	407	21,165	-	21,165
Reinsurance contract assets	90,977	-	90,977	121,673	-	121,673
Property and equipment	4,911	-	4,911	7,523	-	7,523
Intangible assets	11,583	-	11,583	14,737	-	14,737
Right-of-use assets	4,530	-	4,530	7,996	-	7,996
Goodwill	-	4,497	4,497	-	4,497	4,497
Accrued income on statutory deposit	-	586	586	-	509	509
Due from shareholders'/insurance operations	-	40,056	40,056	-	192,612	192,612
Statutory deposit	-	50,000	50,000	-	50,000	50,000
TOTAL ASSETS	778,607	462,639	1,241,246	967,891	734,247	1,702,138
Less: interoperation elimination	-	(40,056)	(40,056)	-	(192,612)	(192,612)
TOTAL ASSETS AS PER FINANCIAL STATEMENTS	778,607	422,583	1,201,190	967,891	541,635	1,509,526

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٬ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)

	December 31, 2025			December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>LIABILITIES</u>						
Accrued and other liabilities	10,325	2,988	13,313	33,556	2,935	36,491
Insurance contract liabilities	701,974	-	701,974	714,463	-	714,463
Reinsurance contract liabilities	97	-	97	841	-	841
Employee benefit obligations	23,378	-	23,378	20,968	-	20,968
Lease liabilities	3,281	-	3,281	6,728	-	6,728
Zakat and income tax payable	-	8,976	8,976	-	17,047	17,047
Accrued income payable to the Insurance Authority	-	586	586	-	1,331	1,331
Due to shareholders'/insurance operations	40,056	-	40,056	192,612	-	192,612
TOTAL LIABILITIES	779,111	12,550	791,661	969,168	21,313	990,481
Less: interoperation elimination	(40,056)	-	(40,056)	(192,612)	-	(192,612)
TOTAL LIABILITIES AS PER FINANCIAL STATEMENTS	739,055	12,550	751,605	776,556	21,313	797,869
<u>EQUITY</u>						
Share capital	-	500,000	500,000	-	500,000	500,000
(Accumulated losses)/ Retained earnings	-	(162,072)	(162,072)	-	112,372	112,372
Statutory reserve	-	41,362	41,362	-	41,362	41,362
Fair value reserve	-	70,799	70,799	-	59,201	59,201
Remeasurement reserve of employee benefit obligations	(504)	-	(504)	(1,278)	-	(1,278)
TOTAL EQUITY	(504)	450,089	449,585	(1,278)	712,935	711,657
TOTAL LIABILITIES AND EQUITY	738,551	462,639	1,201,190	775,278	734,248	1,509,526

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٬ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)**STATEMENT OF INCOME**

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Insurance revenue	1,254,553	-	1,254,553	1,489,646	-	1,489,646
Insurance service expense	(1,391,654)	-	(1,391,654)	(1,375,580)	-	(1,375,580)
Net expenses from reinsurance contracts	(129,521)	-	(129,521)	(75,431)	-	(75,431)
Insurance service result from Company's directly written business	(266,622)	-	(266,622)	38,635	-	38,635
Share of surplus from insurance pools	5,044	-	5,044	6,344	-	6,344
Total insurance service result	(261,578)	-	(261,578)	44,979	-	44,979
Murabaha income from financial assets not measured at FVTPL	31,425	9,793	41,218	43,072	16,055	59,127
Net (loss) gain on financial assets measured at FVTPL	-	(12,115)	(12,115)	-	5,222	5,222
Other investment revenue / dividend income	967	3,414	4,381	82	3,495	3,577
Net impairment loss on financial assets	(300)	15	(285)	(34,752)	44	(34,708)
Net investment income	32,092	1,107	33,199	8,402	24,816	33,218
Finance expense from insurance contracts issued	(1,857)	-	(1,857)	(7,533)	-	(7,533)
Finance income from reinsurance contracts held	1,935	-	1,935	(883)	-	(883)
Net insurance finance income (expense)	78	-	78	(8,416)	-	(8,416)
Net insurance and investment result	(229,408)	1,107	(228,301)	44,965	24,816	69,781

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts expressed in ٢ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)**STATEMENT OF INCOME**

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Other operating expenses	(7,454)	(3,283)	(10,737)	(12,695)	(3,321)	(16,016)
Finance costs on lease liabilities	(219)	-	(219)	(199)	-	(199)
Other income	6,595	-	6,595	3,568	-	3,568
Total (loss) / profit for the year before zakat	(230,486)	(2,176)	(232,662)	35,639	21,495	57,134
Zakat and income tax expense	-	(11,782)	(11,782)	-	(8,000)	(8,000)
Net loss from operations	(230,486)	(13,958)	(244,444)	35,639	13,495	49,134
Loss transfer to shareholders	230,486	(230,486)	-	(35,639)	35,639	-
NET (LOSS) / PROFIT FOR THE YEAR						
ATTRIBUTABLE TO THE SHAREHOLDERS	-	(244,444)	(244,444)	-	49,134	49,134
(Loss) earnings per share (expressed in ٢ per share)						
- Restated						
Basic (loss) earnings per share			(4.89)	-		0.98
Diluted (loss) earnings per share			(4.89)	-		0.98

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ٬ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS	-	(244,444)	(244,444)	-	49,134	49,134
Other comprehensive income						
Items that will not be reclassified to the statement of income in subsequent years						
Net changes in fair value of investments measured at FVOCI	-	11,598	11,598	-	17,662	17,662
Actuarial gain on employee benefit obligations	774	-	774	241	-	241
Total other comprehensive (loss) / income	774	11,598	12,372	241	17,662	17,903
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS	774	(232,846)	(232,072)	241	66,796	67,037

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٴ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)
STATEMENT OF CASH FLOWS

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Total (loss) / profit for the year before zakat and income tax	-	(232,662)	(232,662)	-	57,134	57,134
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	2,354	-	2,354	2,490	-	2,490
Amortization of intangible assets	3,967	-	3,967	1,606	-	1,606
Depreciation for right-of-use assets	3,466	-	3,466	3,349	-	3,349
Finance costs on lease liabilities	219	-	219	199	-	199
Net (loss) / gain on FVTPL investments	-	12,115	12,115	-	(5,222)	(5,222)
Provision for employees benefit obligations	4,972	-	4,972	4,705	-	4,705
Amortization of sukuks using effective interest rate method	(3,817)	-	(3,817)	(3,698)	-	(3,698)
Sukuk loss (income)	(337)	663	326	(126)	(557)	(683)
Impairment in investment at amortized cost	-	-	-	-	34,820	34,820
Murabaha income	(3,561)	(1,928)	(5,489)	(6,123)	(2,448)	(8,571)
(Reversal of) expected credit loss on investments at amortized cost	-	(4)	(4)	267	(44)	223
Changes in operating assets and liabilities:						
Prepaid expenses and other assets	(14,244)	-	(14,244)	-	34,813	34,813
Accrued income on statutory deposit	-	(77)	(77)	-	124	124
Accrued and other liabilities	(23,232)	54	(23,178)	(14,719)	134	(14,585)
Accrued income payable to the Insurance Authority	-	(745)	(745)	-	(861)	(861)
Insurance contract assets	20,758	-	20,758	(18,331)	-	(18,331)
Reinsurance contract assets	30,696	-	30,696	(10,003)	-	(10,003)
Insurance contract liabilities	(12,489)	-	(12,489)	(378,349)	-	(378,349)
Reinsurance contract liabilities	(744)	-	(744)	(6,234)	-	(6,234)
Due from insurance operations	-	152,557	152,557	-	(114,500)	(114,500)
Due to insurance operations	-	-	-	-	(23,681)	(23,681)
Due from shareholders' operations	-	-	-	23,681	-	23,681
Due to shareholders' operations	(152,557)	-	(152,557)	114,500	-	114,500
Cash used in generated from operations	(144,549)	(70,027)	(214,576)	(286,786)	(20,288)	(307,074)
Employee benefit obligations paid	(1,788)	-	(1,788)	(3,268)	-	(3,268)
Finance cost paid on lease liabilities	(219)	-	(219)	(199)	-	(199)
Zakat and income tax paid	-	(19,853)	(19,853)	-	(9,913)	(9,913)
Net cash used in operating activities	(146,556)	(89,880)	(236,436)	(290,253)	(30,201)	(320,454)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts expressed in ٬ thousands unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS (continued)

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Payment against purchase of financial assets at amortised cost	(20,999)	-	(20,999)	(55,608)	(16,150)	(71,758)
Proceed from redemption of financial assets at amortised cost	4,984	26,241	31,225	17,020	19,011	36,031
Payment against purchase of financial assets at FVTPL	-	(52,945)	(52,945)	-	(76,536)	(76,536)
Proceed from sale of financial assets at FVTPL	-	43,507	43,507	-	91,120	91,120
Net movement in term deposits	184,102	74,469	258,571	280,759	132,343	413,102
Addition to property and equipment	258	-	258	5,075	-	5,075
Addition to Intangible Assets	(813)	-	(813)	(11,612)	-	(11,612)
Placement of statutory deposit	-	-	-	-	(5,000)	(5,000)
Net cash generated from investing activities	167,532	91,272	258,804	235,634	144,788	380,422
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal element of lease payments	(3,447)	-	(3,447)	(4,275)	-	(4,275)
Dividend paid	-	(30,000)	(30,000)	-	(27,000)	(27,000)
Net cash used in financing activities	(3,447)	(30,000)	(33,447)	(4,275)	(27,000)	(31,275)
Net change in cash and cash equivalents	17,529	(28,608)	(11,079)	8,018	20,675	28,693
Cash and cash equivalents at the beginning of the year	75,858	30,209	106,067	67,840	9,534	77,374
Cash and cash equivalents at end of the year	93,387	1,601	94,988	75,858	30,209	106,067
Supplemental non-cash information:						
Unrealized fair value changes in financial assets through other comprehensive income	-	11,598	11,598	-	17,662	17,662
Actuarial gain charged to other comprehensive income	-	-	-	(241)	-	(241)
Capital increase through bonus share (capital share)	-	-	-	-	50,000	50,000

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts expressed in ﷲ thousands unless otherwise stated)

37. SUBSEQUENT EVENTS

Except as disclosed in note 1 (a), no other subsequent events occurred between December 31, 2025 and the date of authorization of issue of these financial statements which may have a material impact on these financial statements.

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on Ramadan 26, 1447H corresponding to March 15, 2026.