

**WATANIYA INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended December 31, 2025

INDEX	Pages
Independent auditors' report	3 – 6
Statement of financial position	7
Statement of income	8
Statement of comprehensive income	9
Statement of changes in equity	10-11
Statement of cash flows	12
Notes to the financial statements	13-86
Supplementary information	87-92



KPMG Professional Services Company

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792



PricewaterhouseCoopers,
5th floor, Jameel Square,
P.O. Box 16415,
Jeddah 21464
Kingdom of Saudi Arabia
License No. 25

Headquarters in Riyadh

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Wataniya Insurance Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at December 31, 2025, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, from 1 to 37, to the financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with 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) (referred to as “IFRS as endorsed in the Kingdom of Saudi Arabia”).

Basis for opinion

We conducted our audit in accordance with 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 of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk – liability for incurred claims</p> <p>As at December 31, 2025, the estimate of present value of future cash flows and risk adjustment for non-financial risk amounts to SAR 756.64 million and SAR 30.90 million respectively, as disclosed in Note 11 to the financial statements.</p> <p>The estimation of the liability for incurred claims (net of salvage and subrogation) involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. 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.</p> <p>Accordingly, the complexity arises from calculating the actuarial best estimate using historical data which is sensitive to external inputs, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>The Company uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities.</p> <p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of the valuation of the liability for incurred claims arising from insurance contracts, along with these amounts being material, we have considered this as a key audit matter.</p> <p>Refer to Notes 3 and 4 for the material accounting policies and critical accounting judgements, estimates and assumptions used by the Company.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Understood and evaluated the design and implementation of key controls over the accuracy of the claims recorded in the system. • Evaluated the competence, capabilities and objectivity of the Appointed Actuary and assessed their independence; • Performed substantive procedures, on a sample basis, on the amounts recorded for claims reported and paid; including comparing the outstanding claims amount to appropriate source documentation. • Evaluated the completeness and accuracy, on a sample basis, of data used by management in their calculation of liability for incurred claims. • Engaged our internal actuarial specialists to assess the reasonableness of the actuarial models and assumptions used to calculate the present value of the future cash flows (net of salvage and subrogation) and the risk adjustment. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available 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, 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 SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of directors of the Company 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of financial position
As at December 31, 2025
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2025	December 31 2024
ASSETS			
Cash and cash equivalents	5	102,074	53,693
Term deposits	6	755,640	1,029,675
Financial assets at fair value through profit or loss ("FVTPL")	7	402,388	292,853
Financial assets at amortised cost	8	127,899	16,244
Financial assets at fair value through other comprehensive income ("FVOCI")	9	72,715	61,118
Other receivables and prepaid expenses	10	21,286	17,415
Reinsurance contract assets	11	481,251	569,906
Right-of-use assets	12	3,041	4,628
Property and equipment	13	9,056	12,877
Intangible assets	14	28,142	32,058
Statutory deposit	15	39,983	39,983
Accrued income on statutory deposit		486	4,372
TOTAL ASSETS		2,043,961	2,134,822
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other liabilities	16	55,369	29,225
Insurance contract liabilities	11	1,287,963	1,451,052
Reinsurance contract liability	11	3,406	5,132
Lease liabilities	12	2,931	4,710
Zakat and income tax payable	18	15,057	15,147
Employee benefits obligations	17	20,762	18,774
Accrued income on statutory deposit	15	486	1,148
TOTAL LIABILITIES		1,385,974	1,525,188
EQUITY			
Share capital	19	400,000	400,000
Statutory reserve	20	49,689	42,271
Retained earnings		137,506	108,168
Fair value reserve for investments		70,792	59,195
TOTAL EQUITY		657,987	609,634
TOTAL LIABILITIES AND EQUITY		2,043,961	2,134,822

The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of income
For the year ended December 31, 2025
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2025	2024
Insurance revenue	22	1,837,593	1,796,142
Insurance service expenses	22	(1,421,419)	(1,344,039)
Net expenses from reinsurance contracts	22	(386,719)	(380,111)
Insurance service result from Company's directly written business		29,455	71,992
Share of surplus from insurance pools	25	1,795	1,702
Total insurance service result		31,250	73,694
Net gains on investments measured at FVTPL	23	10,027	14,670
Commission income from financial assets not measured at FVTPL	23	55,356	56,659
Dividend income	23	37	21
Net investment return		65,420	71,350
Net finance expense from insurance contracts	24	(15,436)	(18,521)
Net finance income from reinsurance contracts	24	9,092	11,730
Net insurance finance expense		(6,344)	(6,791)
Net insurance and investment result		90,326	138,253
Other income		343	708
Other operating expenses	26	(41,179)	(22,178)
Profit for the year attributable to the shareholders before zakat and income tax		49,490	116,783
Zakat	18	(11,650)	(13,133)
Income tax	18	(750)	(600)
Net profit for the year attributable to the shareholders		37,090	103,050
Earnings per share (Basic and diluted) (expressed in SAR per share)	19	0.93	2.58

The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of comprehensive income
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2025	2024
Net profit for the year attributable to the shareholders		37,090	103,050
Other comprehensive income			
<i>Items that will not be reclassified to statement of income in subsequent years</i>			
Net changes in fair value of investment measured at FVOCI – equity instruments	9	11,597	17,660
Remeasurement (loss) / gain on defined benefit obligations	17	(334)	646
Total other comprehensive income		11,263	18,306
Total comprehensive income for the year attributable to the shareholders		48,353	121,356




The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

For the year ended December 31, 2025

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investments	Total
Balance at the beginning of the year		400,000	42,271	108,168	59,195	609,634
Total comprehensive income for the year						
Net profit for the year attributable to the shareholders		-	-	37,090	-	37,090
Net changes in fair value of investment measured at FVOCI		-	-	-	11,597	11,597
Remeasurement loss on defined benefit obligations		-	-	(334)	-	(334)
Total comprehensive income for the year attributable to the shareholders		-	-	36,756	11,597	48,353
Transfer to statutory reserve	20	-	7,418	(7,418)	-	-
Balance at the end of the year		400,000	49,689	137,506	70,792	657,987

The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity (continued)
For the year ended December 31, 2025
(All amounts in Saudi Riyals thousands unless otherwise stated)

For the year ended December 31, 2024

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve for investments	Total
Balance at the beginning of the year		400,000	21,661	25,082	41,535	488,278
<i>Total comprehensive income for the year</i>						
Net profit for the year attributable to the shareholders		-	-	103,050	-	103,050
Net changes in fair value of investment measured at FVOCI		-	-	-	17,660	17,660
Remeasurement gain on defined benefit obligations		-	-	646	-	646
Total comprehensive income for the year attributable to the shareholders		-	-	103,696	17,660	121,356
Transfer to statutory reserve	20	-	20,610	(20,610)	-	-
Balance at the end of the year		400,000	42,271	108,168	59,195	609,634




The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
For the year ended December 31, 2025
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year attributable to the shareholders before zakat and income tax		49,490	116,783
Adjustments for non-cash items:			
Depreciation of property and equipment	13	5,764	5,560
Depreciation of right-of-use assets	12	1,587	925
Finance cost on lease liabilities	12	311	203
Amortization of intangible assets	14	3,916	3,991
Net gains on investments measured at FVTPL	23	(10,027)	(14,670)
Provision for employee benefits obligations	17	4,425	4,051
Commission income from financial assets not measured at FVTPL	23	(55,356)	(56,659)
Expected credit loss adjustment		-	(125)
Dividend income	23	(37)	(21)
		73	60,038
Changes in operating assets and liabilities:			
Other receivables and prepaid expenses	10	(3,871)	1,944
Reinsurance contract assets	11	88,655	62,017
Accrued expenses and other liabilities	16	26,144	(14,797)
Insurance contracts liabilities	11	(163,089)	154,615
Reinsurance contract liability	11	(1,726)	1,122
		(53,814)	264,939
Zakat and income tax paid	18	(12,490)	(11,185)
Payment of employee benefits obligation	17	(2,771)	(1,495)
Commission on statutory deposit received from / (paid) to IA		3,224	(3,224)
Net cash (used in) / generated from operating activities		(65,851)	249,035
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment	13	(1,943)	(6,872)
Additions to investments held at amortised cost	8	(110,458)	(7,026)
Additions to FVTPL investments	7	(101,796)	(55,000)
Proceeds from disposal of FVTPL investments	7	-	77
Placements in term deposits	6	(640,750)	(1,000,463)
Proceeds from term deposits matured	6	900,463	807,040
Commission income from financial assets not measured at FVTPL		68,481	44,957
Net gains on investments measured at FVTPL		2,288	240
Dividend income	23	37	21
Net cash generated from / (used in) investing activities		116,322	(217,026)
CASH FLOW FROM FINANCING ACTIVITIES			
Principal element of lease payments		(1,596)	(1,046)
Interest element of lease payment		(494)	-
Net cash used in financing activities		(2,090)	(1,046)
Net change in cash and cash equivalents		48,381	30,963
Cash and cash equivalents at the beginning of the year	5	53,693	22,730
Cash and cash equivalents at the end of the year	5	102,074	53,693
SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION			
Net changes in fair value of investment measured at FVOCI	9	11,597	17,660
Right-of-use assets recorded against lease liabilities	12	-	5,553
Remeasurement (loss) / gain on defined benefit obligations	17	(334)	646

The accompanying notes 1 to 37 form an integral part of these financial statements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 4030200981 dated 1 Jumada II 1431H (corresponding to May 15, 2010) and Ministry of Commerce Resolution number 158/K dated Jumada Al Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated 21 Shawwal 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16,1430H (corresponding to October 5, 2009). Insurance Authority, as the principal authority responsible for the application and administration of the Insurance Law and its Insurance Implementing Regulations, granted the Company a license number TMN/29/20106 valid up to Rajab 2,1449H (corresponding to November 30, 2027). The Company was listed on the Saudi stock exchange (Tadawul) on June 16, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its by-laws and applicable regulations in the Kingdom of Saudi Arabia.

2 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in accordance with 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). (referred to as "IFRS as endorsed in KSA").

As required by the Saudi Arabian Insurance Implementation Regulations (herein referred to as "Insurance Regulations"), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Insurance Regulations require a clear segregation of assets, liabilities, income and expenses of the insurance and shareholders operations. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented as supplementary information to comply with requirements of the Insurance Regulations and is not required by International Financial Reporting Standards (IFRS). Moreover, the details relating to surplus distribution, gross written premium and net written premium are also disclosed under notes 32, 33 and 34 of these financial statements to comply with the requirements of the Regulator.

In preparing the Company's financial statements in compliance with IFRS as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains and 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 as described in respective policies in Note 3.

(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, zakat and income tax payable and accrued income payable to Insurance Authority. The following balances would generally be classified as non-current: financial assets at amortised cost, financial assets at fair value through other comprehensive income ("FVOCI"), right-of-use assets, property and equipment, intangible assets, statutory deposit. The balances which are of mixed in nature i.e. include both current and non-current portions include insurance contract liabilities, reinsurance contract assets / liabilities, term deposits, financial assets at fair value through profit or loss ("FVTPL"), lease liabilities and employee benefit obligations.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

(d) Functional and presentation currency

The financial statements are expressed in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded to the nearest thousands, except where otherwise indicated.

(e) Fiscal year

The Company follows a fiscal year ending on December 31.

(f) Seasonality of operations

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

(g) 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 policies

The material accounting policies used in the preparation of these financial statements are consistently applied for all years presented.

3.1 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

A number of new amendments became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following amendments:

a) Amendments to IAS 21 - Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. There is no financial impact as a result of these amendments.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Material accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact.

- a) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

These amendments address the classification and measurement of financial instruments and related disclosures. The key changes include adjustments to the treatment of financial instruments, particularly in relation to the measurement of certain hybrid contracts, and more detailed disclosures related to financial instruments under IFRS 7. These amendments are designed to provide more transparency in how financial instruments are classified and measured.

Effective date:

Annual periods beginning on or after January 1, 2026.

Impact assessment

Management is currently in the process of assessing the impact of these amendments, however, no material impact is expected based on the current operations of the Company.

- b) IFRS 19 - Subsidiaries without Public Accountability: Disclosures.

IFRS 19 introduces new disclosure requirements for subsidiaries that do not have public accountability. The standard requires these subsidiaries to provide additional disclosures related to financial performance, position, and cash flows, thereby enhancing transparency for users of the financial statements. The disclosures aim to provide a clearer picture of the financial health of subsidiaries without public accountability.

Effective date:

Annual periods beginning on or after January 1, 2027.

Impact assessment

Management has assessed the applicability of IFRS 19 and concluded that it does not apply to the Company. Therefore, no further disclosure is necessary.

- c) IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 introduces updates related to the presentation and disclosure of financial information in financial statements. The amendments focus on improving the consistency and comparability of financial statement presentations across entities, including changes in the presentation of income, expenses, and liabilities. The goal is to enhance the clarity and transparency of financial reporting.

Effective date:

Annual periods beginning on or after January 1, 2027.

Impact assessment

Management is currently in the process of assessing the impact of this amendment.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Material accounting policies (continued)

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. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include marine, property, motor, engineering, accident & liability and term life. 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.

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.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. 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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

ii. Level of aggregation (continued)

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.

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 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;

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.

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

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
- 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 Marine, Property, Motor TPL, Motor Comprehensive and Term life contracts in the group of contracts is one year or less and are therefore eligible to be measured under the PAA.

The coverage period for term life contracts is one year or less. Once the selected term has ended, the insurance contract is terminated and a policyholder could potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this product line offer fixed and guaranteed death benefits over the contractual term.

PAA eligibility testing has been performed for the Engineering and Accident & liability group of contracts since the coverage period is more than one year. 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.

- Reinsurance contracts:

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 period before a claim is incurred.

Measurement on initial recognition under PAA:

On initial recognition of each group of insurance 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 insurance acquisition cash flows paid.

For reinsurance contracts held on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

On initial recognition of each group of insurance contracts, the Company assesses the time between providing each part of the coverage and the related premium due date. If the period is no more than a year i.e. no significant financing component exists, the Company does not adjust the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

Subsequent measurement under PAA:

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

v. Measurement (continued)

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 Liability for incurred claims (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 period;
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
- 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 period; and
- b. decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

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 3.4(ii).

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

v. Measurement (continued)

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.

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 for 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 based on direct to indirect costs ratio. Both acquisition and attributable costs fall under the insurance service expense while the non-attributable costs are reported under other operating expenses.

viii. Risk adjustment for non-financial risk

The Company has decided to adopt the Mack Method on incurred claims for motor business and Value at risk method on incurred claims for other lines of business in the estimation of risk adjustment. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering this level is adequate to cover sources of uncertainty about the amount and timing of the cash flows. While for premium risk, Solvency II approach is used to derive the risk with the same percentile as the claim reserves.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

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.

Insurance revenue:

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period on the passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups. For longer term policies under engineering and accident & liability groups of contracts, the expected premium receipts are allocated based on the expected timing of incurred insurance service expenses.

Insurance service expenses:

Insurance service expenses include the following:

- a. incurred claims for the period.
- 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 passage of time for all groups of contracts except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.

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 except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.

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.

Umrah and Hajj insurance pool:

The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with the Company for Cooperative Insurance (CCI) effective from January 1, 2020. The compulsory Hajj / Umrah product is offered by the ministry and approved by IA 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 Hajj / Umrah. The agreement terms are for 4 years starting from January 1, 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 2024 as the aforementioned arrangement has been discontinued

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

ix. Presentation (continued):

This co-insurance arrangement, in which the Company is a participant, is an insurance contract as defined in IFRS 17, and the Company has accordingly applied the recognition and measurement principles of IFRS 17. Given the bespoke nature of the arrangement and given that the rights and obligations from the arrangement are managed and settled on a net basis, the Company has accordingly presented the results from the arrangement on a net basis in insurance service results as a separate line item on the statement of income and has provided more details in the notes.

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 period in profit or loss.

3.3.1 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 except for longer term policies under engineering and accident & liability groups for which amortisation is done based on the expected timing of incurred insurance service expenses.
- **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. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- **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.

3.3.2 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.

Statement of income

Insurance revenue includes gross earned premiums and estimates for expected premium receipts.

Insurance service expense includes gross incurred claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of risk adjustment for non-financial risk.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.3 Insurance and reinsurance contracts (continued)

3.3.2 Presentation and disclosure (continued)

Net income / (expenses) from reinsurance contracts held includes reinsurance premiums earned, reinsurance commission earned, reinsurance share of incurred claims, change in reinsurance accrual reserve, estimates for expected reinsurance receipts and the impact of 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.

Share of surplus from insurance pools (i.e. Al Manafeth, Umrah & Hajj scheme, employers' delinquency pool and inherent defects insurance) are presented on a net basis within the total insurance service results after the insurance service result from the Company's directly written business.

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 of financial assets

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 debt 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 follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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 profit 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. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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.

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. 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.

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:

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

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

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. Currently no debt instrument is classified as FVOCI.

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 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 for the year ended December 31, 2025.

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, 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.

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.

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

iii. Impairment of financial assets (continued)

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

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.

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.

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

3.4.1 Classification and measurement

To determine the classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The following classification categories apply to financial assets under IFRS 9:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost.

under IFRS 9 all fair value changes of financial liabilities designated as at FVTPL will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

3.4.2 Impairment calculation

Under IFRS 9, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those expected credit losses expected to occur within 12 months of statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

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 market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses, if any. 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 year in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

	Years
Furniture and fixtures	5 - 10
Office equipment	3 - 10
Motor vehicles	4
Computer hardware	2 - 5

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

3.6 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). For such 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, if any, is presented as a separate line in the statement of financial position.

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 Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.6 Right-of-use assets and lease liabilities (continued)

RoU assets are depreciated over the shorter period of lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets, if any, are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

The Company has used exemption available in IFRS 16 – Leases for short-term leases.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

	Years
Software	10 - 15

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

3.8 Leases

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3. Material accounting policies (continued)

3.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

3.10 Employee benefit obligations

The Company operates a single post-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 post-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.

Re-measurement 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 year 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.

3.11 Provisions, accrued expenses 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.

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition. Term deposits having maturities more than three months from the date of acquisition and managed directly by the Company are classified separately as term deposits.

3. Material accounting policies (continued)

3.13 Commission, dividend income and other income

Commission income on term deposits is recognised on a time proportion basis using the effective interest rate method and are disclosed under 'Commission income from financial assets not measured at FVTPL' in statement of income. Dividend income is recognised when the right to receive a dividend is established and is included under Dividend income in the statement of income.

3.14 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, if any.

3.15 Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

3.16 Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (an operating segment), which is subject to risk and rewards that are different from those of other segments.

For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Motor Comprehensive provides coverage against damages to vehicles due to storm, tempest, flood, fire, theft, and personal accident as well as liability to third parties arising from accidents.
- Property & Casualty provides insurance coverage across marine, property, engineering, and accident & liability lines, including protection for marine vessels and cargo, property-related risks, construction and machinery breakdown, money and fidelity risks, business all-risk, travel and exhibition insurance, as well as general third-party liability, product and employer liability, professional indemnity, and post-warranty motor damage.
- Term life provides coverage against the insured's death.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

No inter-segment transactions occurred during the period. Segment revenue, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Material accounting policies (continued)

3.17 Fair values

The fair value of financial assets is based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3.18 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of adjusted net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Zakat

The Company is subject to zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, and is charged to the statement of income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the year in which such assessments are made.

4. Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Critical accounting judgments, estimates and assumptions (continued)

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

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.

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.

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.

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 local entity 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 profit or loss as they are incurred. Refer Note 29 for the sensitivity analysis in relation to the significant assumptions.

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 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 application. The Company has used the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium. The Company is currently discounting liability for incurred claims for all groups of insurance contracts.

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	Currency	1 year	2 years	3 years	4 years	5 years
Marine	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Property	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Motor-Comp	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Motor-TPL	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Engineering	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Accident & liability	SAR	4.21%	4.09%	4.12%	4.18%	4.25%
Term life	SAR	4.21%	4.09%	4.12%	4.18%	4.25%

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Critical accounting judgments, estimates and assumptions (continued)

ii. Discounting methodology (continued)

Insurance contracts issued
and reinsurance contracts
held - 2024

	Currency	1 year	2 years	3 years	4 years	5 years
Marine	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Property	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Motor-Comp	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Motor-TPL	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Engineering	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Accident & liability	SAR	4.98%	4.89%	4.86%	4.84%	4.82%
Term life	SAR	4.98%	4.89%	4.86%	4.84%	4.82%

iii. Risk adjustment for non-financial risks

The Company shall adjust 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.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates 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. Refer Note 29 for the sensitivity analysis in relation to the significant assumptions.

iv. Onerosity determination

Under the PAA, the Company shall assume 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 has established a process for the underwriting team to capture 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 3.3.1 for further details in this regard and refer Note 29 for the sensitivity analysis in relation to the significant assumptions.

v. 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 28 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Critical accounting judgments, estimates and assumptions (continued)

vi. 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 of the country in which it operates to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

vii. Presentation of the share of income from insurance pools

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 ix). 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 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 where an entity is acting 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.

5. Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash in hand	40	40
Bank balances	63,047	43,666
Deposits with original maturity of less than 3 months	39,000	10,000
Expected credit loss	(13)	(13)
	102,074	53,693

The bank balances are with banks, registered in Saudi Arabia and are denominated in Saudi Riyals and US Dollars.

The gross carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Term deposits with original maturity of less than 3 months are placed with a commercial bank registered in Saudi Arabia and yield income at rates of 4.55% to 5.20% per annum (December 31, 2024: 5.30%).

Movement in allowance for expected credit losses (ECL) on cash and cash equivalents is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	13	9
ECL allowance recognised in statement of income during the year	-	4
Balance at end of the year	13	13

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Term deposits

	December 31, 2025	December 31, 2024
Term Deposits	740,750	1,000,463
Accrued commission income	15,064	29,386
Expected credit loss	(174)	(174)
	755,640	1,029,675

Term deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 5.05% to 6.50% per annum (December 31, 2024: 4.93% to 6.10% per annum).

The gross carrying amount of term deposits represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of A to BBB. The Company's exposures to credit risk are not collateralized.

Movement in allowance for expected credit losses on term deposits is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	174	282
ECL reversal recognised in statement of income during the year	-	(108)
Balance at end of the year	174	174

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

	Note	December 31, 2025	December 31, 2024
Investment in discretionary portfolios	7.1	342,379	284,853
Investment in Tier-1 sukuks	7.2	56,000	8,000
Investment in mutual funds	7.3	4,009	-
		402,388	292,853

7.1 Investment in discretionary portfolios:

Movement in investment in discretionary portfolio is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	284,853	220,260
Additions during the year	50,000	50,000
Withdrawal during the year	-	(77)
Changes in fair value of investments	7,526	14,670
Balance at end of the year	342,379	284,853

FVTPL includes investments managed by three fund managers under the discretionary portfolio of investments where all such investments are carried at fair value as provided by the fund managers. These fund managers keep such investments in various fixed income securities, mutual funds, equity investments, sukuks and murabaha placements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

7.2 Investment in Tier-1 sukuku:

		December 31, 2025	December 31, 2024
Arab National Bank Sukuku	7.2.1	20,000	-
Riyad Bank Sukuku	7.2.2	20,000	-
Saudi Fransi Bank Sukuku	7.2.3	11,000	8,000
Bank Al Jazira Sukuku	7.2.4	5,000	-
		56,000	8,000

7.2.1 This represents the Company's investment in Arab National Bank Tier 1 Sukuku. These represent 20 Sukuku at a face value of SAR 1 million per Sukuku with a coupon rate of 6.20% per annum. The Company has received commission income of SAR 0.93 million during the year (December 31, 2024: Nil). The profit distribution on these sukuku is at the discretion of the issuer therefore these sukuku have been classified as FVTPL.

7.2.2 This represents the Company's investment in Riyad Bank Tier 1 Sukuku. These represent 80 Sukuku at a face value of SAR 0.25 million per Sukuku with a coupon rate of 6.00% per annum. The Company has received commission income of SAR 0.90 million during the year (December 31, 2024: Nil). The profit distribution on these sukuku is at the discretion of the issuer therefore these sukuku have been classified as FVTPL.

7.2.3 This represents the Company's investment in Saudi Fransi Bank Tier 1 Sukuku. These represent 5 Sukuku at a face value of SAR 1 million per Sukuku with a coupon rate of 6% per annum and 6 Sukuku at a face value of SAR 1 million per Sukuku with a coupon rate of 6.40%. The Company has received commission income of SAR 0.30 million during the year (December 31, 2024: SAR 0.24 million) The profit distribution on these sukuku is at the discretion of the issuer therefore these sukuku have been classified as FVTPL.

7.2.4 This represents the Company's investment in Bank Al Jazira Tier 1 Sukuku. These represent 5 Sukuku at a face value of SAR 1 million per Sukuku with a coupon rate of 6.30% per annum. The Company has received commission income of SAR 0.16 million during the year (December 31, 2024: Nil). The profit distribution on these sukuku is at the discretion of the issuer therefore these sukuku have been classified as FVTPL.

7.3 Investment in mutual funds:

Movement in investment in mutual funds is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	-	-
Additions during the year	3,796	-
Withdrawal during the year	-	-
Changes in fair value of investments	213	-
Balance at end of the year	4,009	-

This represents the Company's investment in iShares MSCI World Islamic mutual fund during the year ended December 31, 2025.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Financial assets at amortised cost

	Note	December 31, 2025	December 31, 2024
Rawabi Holding Sukuks	8.1	10,000	5,000
Saudi Government Sukuks	8.2	99,518	-
Saudi Real Estate Refinance Company Sukuks	8.3	9,000	9,000
Others	8.4	7,966	2,026
Commission accrued		1,419	222
Gross amount – total		<u>127,903</u>	16,248
Expected credit loss		(4)	(4)
Net amount – total		<u>127,899</u>	16,244

8.1 These represent the Company's investment in Rawabi Holding sukuks, 50 Sukuks at a face value of SAR 0.1 million per sukuk with a coupon rate of 8.50% per annum and 50 Sukuks at a face value of SAR 0.1 million per sukuk with a coupon rate of 8.30% per annum. These Sukuks have a maturity duration of 3 years commencing from March 31, 2024 and March 13, 2025, respectively. The Company has earned a commission income of SAR 0.74 million during the year (December 31, 2024: SAR 0.32 million).

8.2 These represent the Company's investment in Saudi Government sukuks, 98,000 sukuks at a face value of SAR 0.001 million with yields ranging from 4.82% to 5.28% and original maturity duration ranging from 4 years to 10 years. The Company has earned a commission income of SAR 1.46 million during the period (December 31, 2024: Nil).

8.3 These represent the Company's investment in Saudi Real Estate Refinance Company, 5 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 2.11% per annum and 4 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 3.04% per annum. These Sukuks have a maturity duration of 7 years and 10 years commencing from March 3, 2021, and December 09, 2021, respectively. The Company has earned a commission income of SAR 0.23 million during the year (December 31, 2024: SAR 0.23 million).

8.4 These represents the Company's investment in Tameed Crowd Funding Platform at a face value of SAR 7 million with coupon rates ranging from 10.56% to 16.32% commencing from July 28, 2024. The Company has earned a commission income of SAR 1.07 million during the year (December 31, 2024: 0.10 million).

The gross carrying amount of financial assets measured at amortised cost represents the Company's maximum exposure to credit risk on these financial assets which are categorised 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, whereas non-investment grade represents un-rated exposures. The Company's exposures to credit risk are not collateralized.

Movement in allowance for expected credit losses on investments measured at amortised cost is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	4	7
ECL reversal recognised in statement of income during the year	-	(3)
Balance at end of the year	<u>4</u>	<u>4</u>

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Financial assets at fair value through other comprehensive income (“FVOCI”)

	December 31, 2025	December 31, 2024
Balance at beginning of the year	61,118	43,458
Changes in fair value of investments	11,597	17,660
Balance at end of the year	72,715	61,118

This above represents the Company’s 3.45% (December 31, 2024: 3.45%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. Refer to Note 28 for details relating to fair valuation techniques and a sensitivity analysis in relation to the significant assumptions.

All investments are from the shareholders operations and are placed inside the Kingdom of Saudi Arabia.

10 Other receivables and prepaid expenses

	Note	December 31, 2025	December 31, 2024
Staff receivables		7,202	7,745
Margin deposits		6,180	5,073
Prepayments		4,936	2,304
Due from Tawuniya for pool deals	25.1	-	661
Due from Walaa Cooperative Insurance Company		16	-
Due from Al Etihad Cooperative Insurance Company	25.3	2,100	-
Due from Malath Cooperative Insurance Company	25.2	220	219
Others		632	1,413
		21,286	17,415

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts

11.1 Composition of the statement of financial position

During the year ended December 31, 2025, the Company revised its operating segment structure to align with changes in internal reporting and management oversight. As part of this revision, the aggregation basis for insurance and reinsurance contract disclosures has been updated. Comparative information for prior year has been restated to ensure consistency and comparability (also see note 31).

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:

	Motor	Property & Casualty	Term life	Total
As at December 31, 2025 –				
Insurance contracts				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	652,594	591,007	44,362	1,287,963
	652,594	591,007	44,362	1,287,963
Reinsurance contracts				
Reinsurance contract assets	-	439,433	41,818	481,251
Reinsurance contract liability	(3,406)	-	-	(3,406)
	(3,406)	439,433	41,818	477,845
As at December 31, 2024 –Restated				
Insurance contracts				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	615,611	711,236	124,205	1,451,052
	615,611	711,236	124,205	1,451,052
Reinsurance contracts				
Reinsurance contract assets	1,279	525,310	43,317	569,906
Reinsurance contract liability	(5,132)	-	-	(5,132)
	(3,853)	525,310	43,317	564,774

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims
11.2.1 Insurance contracts:(all portfolios)

	As at December 31, 2025				Total	As at December 31, 2024				Total
	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		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities – opening	544,417	3,766	863,210	39,659	1,451,052	474,055	2	786,357	36,023	1,296,437
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	544,417	3,766	863,210	39,659	1,451,052	474,055	2	786,357	36,023	1,296,437
Insurance revenue	(1,837,593)	-	-	-	(1,837,593)	(1,796,142)	-	-	-	(1,796,142)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses*	-	-	1,373,625	14,557	1,388,182	-	-	1,272,225	20,488	1,292,713
Losses on onerous contracts	-	4,903	-	-	4,903	-	3,764	-	-	3,764
Changes that relate to past service	-	-	(173,973)	(23,312)	(197,285)	-	-	(134,034)	(16,852)	(150,886)
Insurance acquisition cashflows amortisation	225,619	-	-	-	225,619	198,448	-	-	-	198,448
Insurance service expenses	225,619	4,903	1,199,652	(8,755)	1,421,419	198,448	3,764	1,138,191	3,636	1,344,039
Finance expense from insurance contracts	-	-	15,436	-	15,436	-	-	18,521	-	18,521
Total changes in the statement of income	(1,611,974)	4,903	1,215,088	(8,755)	(400,738)	(1,597,694)	3,764	1,156,712	3,636	(433,582)
Cashflows										
Premiums received	1,800,566	-	-	-	1,800,566	1,880,518	-	-	-	1,880,518
Claims and other incurred insurance service expenses paid	-	-	(1,321,657)	-	(1,321,657)	-	-	(1,079,859)	-	(1,079,859)
Insurance acquisition cashflows paid	(241,260)	-	-	-	(241,260)	(212,462)	-	-	-	(212,462)
Total cash inflows / (outflows)	1,559,306	-	(1,321,657)	-	237,649	1,668,056	-	(1,079,859)	-	588,197
Insurance contracts										
Insurance contract liabilities – closing	491,749	8,669	756,641	30,904	1,287,963	544,417	3,766	863,210	39,659	1,451,052
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	491,749	8,669	756,641	30,904	1,287,963	544,417	3,766	863,210	39,659	1,451,052

*This includes surplus distribution of SAR 4.53 million for the year ended December 31, 2025 (December 31, 2024: SAR 12.22 million) (Also see note 32).

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.1 Insurance contracts:(Motor)

	As at December 31, 2025				Total	As at December 31, 2024				Total
	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		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities – opening	296,775	3,766	304,124	10,946	615,611	245,781	2	241,457	8,615	495,855
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	296,775	3,766	304,124	10,946	615,611	245,781	2	241,457	8,615	495,855
Insurance revenue	(1,158,044)	-	-	-	(1,158,044)	(1,054,053)	-	-	-	(1,054,053)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	1,096,385	8,464	1,104,849	-	-	930,504	9,790	940,294
Losses on onerous contracts	-	4,903	-	-	4,903	-	3,764	-	-	3,764
Changes that relate to past service	-	-	(49,604)	(8,692)	(58,296)	-	-	(39,611)	(7,459)	(47,070)
Insurance acquisition cashflows amortisation	146,685	-	-	-	146,685	123,250	-	-	-	123,250
Insurance service expenses	146,685	4,903	1,046,781	(228)	1,198,141	123,250	3,764	890,893	2,331	1,020,238
Finance expense from insurance contracts	-	-	6,264	-	6,264	-	-	6,276	-	6,276
Total changes in the statement of income	(1,011,359)	4,903	1,053,045	(228)	46,361	(930,803)	3,764	897,169	2,331	(27,539)
Cashflows										
Premiums received	1,231,884	-	-	-	1,231,884	1,119,455	-	-	-	1,119,455
Claims and other incurred insurance service expenses paid	-	-	(1,072,509)	-	(1,072,509)	-	-	(834,502)	-	(834,502)
Insurance acquisition cashflows paid	(168,753)	-	-	-	(168,753)	(137,658)	-	-	-	(137,658)
Total cash inflows / (outflows)	1,063,131	-	(1,072,509)	-	(9,378)	981,797	-	(834,502)	-	147,295
Insurance contracts										
Insurance contract liabilities – closing	348,547	8,669	284,660	10,718	652,594	296,775	3,766	304,124	10,946	615,611
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	348,547	8,669	284,660	10,718	652,594	296,775	3,766	304,124	10,946	615,611

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.1 Insurance contracts:(Property & Casualty)

	As at December 31, 2025					As at December 31, 2024				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities – opening	198,112	-	490,015	23,109	711,236	186,658	-	495,371	23,389	705,418
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	198,112	-	490,015	23,109	711,236	186,658	-	495,371	23,389	705,418
Insurance revenue	(545,515)	-	-	-	(545,515)	(576,742)	-	-	-	(576,742)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	170,363	4,665	175,028	-	-	191,068	5,610	196,678
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service	-	-	(105,214)	(9,670)	(114,884)	-	-	(82,208)	(5,890)	(88,098)
Insurance acquisition cashflows amortisation	68,879	-	-	-	68,879	68,080	-	-	-	68,080
Insurance service expenses	68,879	-	65,149	(5,005)	129,023	68,080	-	108,860	(280)	176,660
Finance expense from insurance contracts	-	-	7,724	-	7,724	-	-	10,996	-	10,996
Total changes in the statement of income	(476,636)	-	72,873	(5,005)	(408,768)	(508,662)	-	119,856	(280)	(389,086)
Cashflows										
Premiums received	491,828	-	-	-	491,828	588,432	-	-	-	588,432
Claims and other incurred insurance service expenses paid	-	-	(141,188)	-	(141,188)	-	-	(125,212)	-	(125,212)
Insurance acquisition cashflows paid	(62,101)	-	-	-	(62,101)	(68,316)	-	-	-	(68,316)
Total cash inflows / (outflows)	429,727	-	(141,188)	-	288,539	520,116	-	(125,212)	-	394,904
Insurance contracts										
Insurance contract liabilities – closing	151,203	-	421,700	18,104	591,007	198,112	-	490,015	23,109	711,236
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	151,203	-	421,700	18,104	591,007	198,112	-	490,015	23,109	711,236

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.1 Insurance contracts:(Term life)

	As at December 31, 2025				Total	As at December 31, 2024				Total
	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		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts										
Insurance contract liabilities – opening	49,530	-	69,071	5,604	124,205	41,616	-	49,529	4,019	95,164
Insurance contract assets – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	49,530	-	69,071	5,604	124,205	41,616	-	49,529	4,019	95,164
Insurance revenue	(134,034)	-	-	-	(134,034)	(165,347)	-	-	-	(165,347)
Insurance service expenses										
Incurred claims and other incurred insurance service expenses	-	-	106,877	1,428	108,305	-	-	150,653	5,088	155,741
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service	-	-	(19,155)	(4,950)	(24,105)	-	-	(12,215)	(3,503)	(15,718)
Insurance acquisition cashflows amortisation	10,055	-	-	-	10,055	7,118	-	-	-	7,118
Insurance service expenses	10,055	-	87,722	(3,522)	94,255	7,118	-	138,438	1,585	147,141
Finance expense from insurance contracts	-	-	1,448	-	1,448	-	-	1,249	-	1,249
Total changes in the statement of income	(123,979)	-	89,170	(3,522)	(38,331)	(158,229)	-	139,687	1,585	(16,957)
Cashflows										
Premiums received	76,854	-	-	-	76,854	172,631	-	-	-	172,631
Claims and other incurred insurance service expenses paid	-	-	(107,960)	-	(107,960)	-	-	(120,145)	-	(120,145)
Insurance acquisition cashflows paid	(10,406)	-	-	-	(10,406)	(6,488)	-	-	-	(6,488)
Total cash inflows / (outflows)	66,448	-	(107,960)	-	(41,512)	166,143	-	(120,145)	-	45,998
Insurance contracts										
Insurance contract liabilities – closing	(8,001)	-	50,281	2,082	44,362	49,530	-	69,071	5,604	124,205
Insurance contract assets – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	(8,001)	-	50,281	2,082	44,362	49,530	-	69,071	5,604	124,205

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.2 Reinsurance contracts held: (all portfolios)

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets – opening	26,427	-	(569,346)	(26,987)	(569,906)	(46,749)	-	(558,455)	(26,719)	(631,923)
Reinsurance contract liabilities – opening	5,132	-	-	-	5,132	4,010	-	-	-	4,010
Opening balance – net	31,559	-	(569,346)	(26,987)	(564,774)	(42,739)	-	(558,455)	(26,719)	(627,913)
Allocation of reinsurance premium paid	441,571	-	-	-	441,571	527,351	-	-	-	527,351
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	(163,271)	(5,355)	(168,626)	-	-	(223,414)	(8,618)	(232,032)
Changes to amounts recoverable for incurred claims	-	-	100,472	13,302	113,774	-	-	76,442	8,350	84,792
Amounts recoverable from reinsurers – net	-	-	(62,799)	7,947	(54,852)	-	-	(146,972)	(268)	(147,240)
Finance income from reinsurance contracts	-	-	(9,092)	-	(9,092)	-	-	(11,730)	-	(11,730)
Total changes in the statement of income	441,571	-	(71,891)	7,947	377,627	527,351	-	(158,702)	(268)	368,381
Cashflows										
Premiums ceded and acquisition cashflows paid	(436,138)	-	-	-	(436,138)	(453,053)	-	-	-	(453,053)
Recoveries from reinsurance	-	-	145,440	-	145,440	-	-	147,811	-	147,811
Total cash (outflows) / inflows	(436,138)	-	145,440	-	(290,698)	(453,053)	-	147,811	-	(305,242)
Reinsurance contracts										
Reinsurance contract assets – closing	33,586	-	(495,797)	(19,040)	(481,251)	26,427	-	(569,346)	(26,987)	(569,906)
Reinsurance contract liabilities – closing	3,406	-	-	-	3,406	5,132	-	-	-	5,132
Closing balance – net	36,992	-	(495,797)	(19,040)	(477,845)	31,559	-	(569,346)	(26,987)	(564,774)

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.2 Reinsurance contracts held: (Motor)

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets – opening	(1)	-	(1,268)	(10)	(1,279)	(1)	-	(513)	(15)	(529)
Reinsurance contract liabilities – opening	5,132	-	-	-	5,132	4,010	-	-	-	4,010
Opening balance – net	5,131	-	(1,268)	(10)	3,853	4,009	-	(513)	(15)	3,481
Allocation of reinsurance premium paid	11,975	-	-	-	11,975	9,512	-	-	-	9,512
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	9	-	9	-	-	14	-	14
Changes to amounts recoverable for incurred claims	-	-	(1,852)	7	(1,845)	-	-	(814)	5	(809)
Amounts recoverable from reinsurers – net	-	-	(1,843)	7	(1,836)	-	-	(800)	5	(795)
Finance income from reinsurance contracts	-	-	(16)	-	(16)	-	-	(10)	-	(10)
Total changes in the statement of income	11,975	-	(1,859)	7	10,123	9,512	-	(810)	5	8,707
Cashflows										
Premiums ceded and acquisition cashflows paid	(12,832)	-	-	-	(12,832)	(8,390)	-	-	-	(8,390)
Recoveries from reinsurance	-	-	2,262	-	2,262	-	-	55	-	55
Total cash (outflows) / inflows	(12,832)	-	2,262	-	(10,570)	(8,390)	-	55	-	(8,335)
Reinsurance contracts										
Reinsurance contract assets – closing	-	-	-	-	-	(1)	-	(1,268)	(10)	(1,279)
Reinsurance contract liabilities – closing	4,274	-	(865)	(3)	3,406	5,132	-	-	-	5,132
Closing balance – net	4,274	-	(865)	(3)	3,406	5,131	-	(1,268)	(10)	3,853

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.2 Reinsurance contracts held: (Property & Casualty)

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets – opening	(38,520)	-	(464,503)	(22,287)	(525,310)	(73,722)	-	(497,742)	(23,363)	(594,827)
Reinsurance contract liabilities – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	(38,520)	-	(464,503)	(22,287)	(525,310)	(73,722)	-	(497,742)	(23,363)	(594,827)
Allocation of reinsurance premium paid	336,296	-	-	-	336,296	398,689	-	-	-	398,689
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	(85,201)	(3,255)	(88,456)	-	-	(112,093)	(4,371)	(116,464)
Changes to amounts recoverable for incurred claims	-	-	88,137	9,573	97,710	-	-	68,553	5,447	74,000
Amounts recoverable from reinsurers – net	-	-	2,936	6,318	9,254	-	-	(43,540)	1,076	(42,464)
Finance income from reinsurance contracts	-	-	(7,224)	-	(7,224)	-	-	(10,387)	-	(10,387)
Total changes in the statement of income	336,296	-	(4,288)	6,318	338,326	398,689	-	(53,927)	1,076	345,838
Cashflows										
Premiums ceded and acquisition cashflows paid	(329,514)	-	-	-	(329,514)	(363,487)	-	-	-	(363,487)
Recoveries from reinsurance	-	-	77,065	-	77,065	-	-	87,166	-	87,166
Total cash (outflows) / inflows	(329,514)	-	77,065	-	(252,449)	(363,487)	-	87,166	-	(276,321)
Reinsurance contracts										
Reinsurance contract assets – closing	(31,738)	-	(391,726)	(15,969)	(439,433)	(38,520)	-	(464,503)	(22,287)	(525,310)
Reinsurance contract liabilities – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	(31,738)	-	(391,726)	(15,969)	(439,433)	(38,520)	-	(464,503)	(22,287)	(525,310)

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Insurance and reinsurance contracts (continued)
11.2 Analysis by remaining coverage and incurred claims (continued)
11.2.2 Reinsurance contracts held: (Term life)

	As at December 31, 2025					As at December 31, 2024				
	Asset for remaining coverage		Asset for incurred claims		Total	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts										
Reinsurance contract assets – opening	64,948	-	(103,575)	(4,690)	(43,317)	26,974	-	(60,200)	(3,341)	(36,567)
Reinsurance contract liabilities – opening	-	-	-	-	-	-	-	-	-	-
Opening balance – net	64,948	-	(103,575)	(4,690)	(43,317)	26,974	-	(60,200)	(3,341)	(36,567)
Allocation of reinsurance premium paid	93,300	-	-	-	93,300	119,150	-	-	-	119,150
Amounts recoverable from reinsurers										
Claims recovered and other directly attributable expenses	-	-	(78,079)	(2,100)	(80,179)	-	-	(111,335)	(4,247)	(115,582)
Changes to amounts recoverable for incurred claims	-	-	14,187	3,722	17,909	-	-	8,703	2,898	11,601
Amounts recoverable from reinsurers – net	-	-	(63,892)	1,622	(62,270)	-	-	(102,632)	(1,349)	(103,981)
Finance income from reinsurance contracts	-	-	(1,852)	-	(1,852)	-	-	(1,333)	-	(1,333)
Total changes in the statement of income	93,300	-	(65,744)	1,622	29,178	119,150	-	(103,965)	(1,349)	13,836
Cashflows										
Premiums ceded and acquisition cashflows paid	(93,792)	-	-	-	(93,792)	(81,176)	-	-	-	(81,176)
Recoveries from reinsurance	-	-	66,113	-	66,113	-	-	60,590	-	60,590
Total cash (outflows) / inflows	(93,792)	-	66,113	-	(27,679)	(81,176)	-	60,590	-	(20,586)
Reinsurance contracts										
Reinsurance contract assets – closing	64,456	-	(103,206)	(3,068)	(41,818)	64,948	-	(103,575)	(4,690)	(43,317)
Reinsurance contract liabilities – closing	-	-	-	-	-	-	-	-	-	-
Closing balance – net	64,456	-	(103,206)	(3,068)	(41,818)	64,948	-	(103,575)	(4,690)	(43,317)

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 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

	December 31, 2025	December 31, 2024
Cost		
Balance at the beginning of the year	5,553	-
Additions during the year	-	5,553
Balance at the end of the year	5,553	5,553
Accumulated depreciation		
Balance at the beginning of the year	925	-
Charge for the year	1,587	925
Balance at the end of the year	2,512	925
Net book value	3,041	4,628

Lease liabilities

	December 31, 2025	December 31, 2024
Within one year	2,091	2,091
Later than one year but not later than five years	1,046	3,136
	3,137	5,227
Future finance costs	(206)	(517)
Total lease liabilities	2,931	4,710
Current portion of lease liabilities	1,924	1,799
Non-current portion of lease liabilities	1,007	2,911
	2,931	4,710
Movement in lease liabilities is as follows:		
Balance at the beginning of the year	4,710	-
Additions during the year	-	5,553
Finance costs on lease liabilities	311	203
	5,021	5,756
Payments during the year	(2,090)	(1,046)
Balance at the end of the year	2,931	4,710

b) Amounts recognised in the statement of income

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to SAR 0.31 million for the year ended December 31, 2025 (December 31, 2024: SAR 0.20 million). Expenses relating to short-term leases amounted to SAR 3.7 million for the year ended December 31, 2025 (December 31, 2024: SAR 3.95 million).

c) Details for leasing activities of the Company

The Company leases office premises across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 1 to 3 years. 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.

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Property and equipment

	Furniture and fixtures	Office equipment	Motor vehicles	Computer hardware	Capital work in progress	Total
2025						
Cost:						
January 1	11,370	1,467	1,195	12,039	4,795	30,866
Additions	130	-	-	-	1,813	1,943
Transfers	4,795	-	-	-	(4,795)	-
December 31	16,295	1,467	1,195	12,039	1,813	32,809
Accumulated depreciation:						
January 1	6,802	1,148	218	9,821	-	17,989
Charge for the year	3,150	135	261	2,218	-	5,764
December 31	9,952	1,283	479	12,039	-	23,753
Net book value						
December 31, 2025	6,343	184	716	-	1,813	9,056
	Furniture and fixtures	Office equipment	Motor vehicles	Computer hardware	Capital work in progress	Total
2024						
Cost:						
January 1	10,335	1,467	599	12,039	-	24,440
Additions	1,035	-	1,042	-	4,795	6,872
Disposals	-	-	(446)	-	-	(446)
December 31	11,370	1,467	1,195	12,039	4,795	30,866
Accumulated depreciation:						
January 1	5,310	894	599	6,072	-	12,875
Charge for the year	1,492	254	65	3,749	-	5,560
Relating to disposals	-	-	(446)	-	-	(446)
December 31	6,802	1,148	218	9,821	-	17,989
Net book value						
December 31, 2024	4,568	319	977	2,218	4,795	12,877

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Intangible assets

These comprise software license fees.

	<u>Total</u>
2025	
Cost:	Software
Balance at beginning and end of the year	<u>51,234</u>
Accumulated amortization:	
January 1	19,176
Charge for the year	<u>3,916</u>
December 31	<u>23,092</u>
Net book value	
December 31, 2025	<u>28,142</u>
	<u>Total</u>
2024	
Cost:	Software
Balance at beginning and end of the year	<u>51,234</u>
Accumulated amortization:	
January 1	15,185
Charge for the year	<u>3,991</u>
December 31	<u>19,176</u>
Net book value	
December 31, 2024	<u>32,058</u>

15 Statutory deposit

	December 31, 2025	December 31, 2024
Statutory deposit	40,000	40,000
Expected credit loss	(17)	(17)
	<u>39,983</u>	<u>39,983</u>

As required by Insurance Regulations, the Company has deposited an amount equivalent to 10% of its paid-up share capital, amounting to SAR 40 million as at December 31, 2025 (December 31, 2024: SAR 40 million), in a bank designated by Insurance Authority (IA). Accrued income on this deposit is payable to IA amounting to SAR 0.49 million (December 31, 2024: SAR 1.15 million) and this deposit cannot be withdrawn without approval from IA. As requested by IA, the Company has released the accrued income on statutory deposit to IA up to October 2, 2025 amounting to SAR 2.73 million. The statutory deposit is shown on the statement of financial position net of ECL allowance.

Movement in allowance for expected credit losses on statutory deposit is as follows:

	December 31, 2025	December 31, 2024
Balance at beginning of the year	17	31
ECL reversal recognised in statement of income during the year	-	(14)
Balance at end of the year	<u>17</u>	<u>17</u>

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Accrued expenses and other liabilities

	December 31, 2025	December 31, 2024
Accrued expenses	24,666	19,081
Value added tax payable	20,872	2,453
Payable for reinsurance's withholding tax	2,125	976
Other liabilities	7,706	6,715
	55,369	29,225

17 Employee benefits obligations

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. Defined benefit obligation's plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

17.1 Movement of defined benefit obligations

	December 31, 2025	December 31, 2024
Balance at beginning of the year	18,774	16,864
Charge to statement of income	4,425	4,051
Charge to other comprehensive income	334	(646)
Payment of benefits during the year	(2,771)	(1,495)
Balance at end of the year	20,762	18,774

17.2 Reconciliation of present value of defined benefit obligations

	December 31, 2025	December 31, 2024
Balance at beginning of the year	18,774	16,864
Current service costs	3,572	3,250
Finance costs	853	801
Actuarial losses / (gains) due to		
Change in financial assumptions	177	(1,026)
Change in experience adjustments	157	380
Net actuarial losses / (gains)	334	(646)
Payment of benefits during the year	(2,771)	(1,495)
Balance at end of the year	20,762	18,774

17.3 Significant actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligations:

	December 31, 2025	December 31, 2024
Discount rate	5.52%	5.62%
Expected rate of increase in salary level across different age bands	5.00%	5.00%

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Employee benefits obligations (continued)

17.4 Sensitivity analysis

	Impact on defined benefit obligations	
	December 31, 2025	December 31, 2024
Discount rate		
- Increase by 0.5%	(856)	(754)
- Decrease by 0.5%	932	819
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	932	820
- Decrease by 0.5%	(864)	(762)

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 obligations to significant actuarial assumptions the same method (present value of defined benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the benefit obligations.

The average remaining duration of the defined benefit plan obligation at December 31, 2025 is 9.12 years (December 31, 2024: 8.48 years).

17.5 Maturity analysis (Undiscounted)

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2025	4,219	1,369	6,375	25,915	37,878
December 31, 2024	3,742	1,166	5,391	23,810	34,109

18 Zakat and income tax

18.1 Components of zakat base

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are shareholders' equity at the end of the year and certain other items. Zakat base has been computed based on the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the Zakat, Tax and Customs Authority ("ZATCA") could be different from the declaration filed by the Company.

Following are the components of the zakat base as at December 31, 2025 and 2024 under the new regulations:

	December 31, 2025	December 31, 2024
Equity, at end of the year	657,987	590,773
Provisions, at end of the year	32,187	44,458
Employee benefits obligations	20,762	18,193
Non-current portion of insurance contract liabilities	41,622	63,949
Non-current portion of lease liabilities	1,007	2,821
Property and equipment and intangible assets, as adjusted	(35,385)	(38,898)
Right of use assets	(3,041)	(4,484)
Investments	(118,518)	(74,970)
Statutory deposit	(39,983)	(38,746)
Non-current portion of Reinsurance contract assets	(66,394)	(48,819)
Actual zakat paid during 2025	(11,918)	(10,439)
Approximate zakat base	478,326	503,838

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Zakat and income tax (continued)

18.2 Provision for zakat and income tax

	Zakat	Income tax	Total
Balance at beginning of the year	14,333	814	15,147
Provision for the current year	11,650	750	12,400
Payments during the year	(11,918)	(572)	(12,490)
Balance at end of the year	14,065	992	15,057

	Zakat	Income tax	Total
Balance at beginning of the year	11,972	627	12,599
Provision for the current year	13,133	600	13,733
Payments during the year	(10,390)	(413)	(10,803)
Payments relating to prior period	(382)	-	(382)
Balance at end of the year	14,333	814	15,147

For the year ended December 31, 2025, zakat is payable at 2.58% of the approximate zakat base. For the year ended December 31, 2024, zakat is payable at 2.58% of the approximate zakat base (excluding adjusted net income for the year) and 2.5% of adjusted net income for the year attributable to Saudi shareholders.

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company, less allowances for foreign shareholders' share in the losses carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations.

The shareholding percentage subject to zakat and income tax is as follows:

	December 31, 2025	December 31, 2024 %
Zakat share in capital and profit	96.91	96.91
Income tax share in capital and profit	3.09	3.09

18.3 Status of assessments

Year ended December 31, 2011 to 2022

The zakat and income tax assessments have been finalized up to and including the year 2022.

Years ended December 31, 2023 and 2024

The Company has filed its Zakat and Tax returns for the years ended December 31, 2023 and 2024 which are under review by ZATCA and the Company has a Zakat Certificate valid up to April 30, 2026.

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Share capital and basic and diluted earnings per share

The authorized, issued and paid-up capital of the Company at December 31, 2025 is SAR 400 million divided into 40 million shares of SAR 10 each (December 31, 2024: SAR 400 million divided into 40 million shares of SAR 10 each).

All ordinary shares rank equally with regard to Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

Earnings per share:

Earnings per share for the years ended December 31, 2025 and December 31, 2024 has been calculated by dividing the net profit for the respective years attributable to the shareholders by the weighted average number of ordinary shares at the reporting date. Diluted earnings per share is not applicable to the Company.

The basic earnings per share is calculated as follows:

	December 31, 2025	December 31, 2024
Net profit for the year attributable to the shareholders	37,090	103,050
Weighted average number of ordinary shares	40,000	40,000
Basic earnings per share SAR	0.93	2.58

20 Statutory reserve

As required by the Insurance Regulations issued by IA, 20% of the net profit for the year after adjusting accumulated losses, has to be set aside from net profit for the year as a statutory reserve until this amounts to 100% of the paid-up share capital. During the year the Company has set aside SAR 7.42 million (December 31, 2024: SAR 20.61 million), representing 1.86% (December 31, 2024: 5%) of the paid-up share capital. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

21 Commitments and contingencies

21.1 The Company's bankers have issued payment guarantees of SAR 6.01 million (December 31, 2024: SAR 5.1 million) to its suppliers on behalf of the Company. Further, the Company has capital commitment outstanding of SAR 3.9 million as of the reporting date (December 31, 2024: Nil).

21.2 The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. 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 a material effect on its results and financial position.

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Insurance revenue and expenses

During the year ended December 31, 2025, the Company revised its operating segment structure to align with changes in internal reporting and management oversight. As part of this revision, the aggregation basis for insurance and reinsurance contract disclosures has also been updated. Comparative information for prior year has been restated to ensure consistency and comparability (also see note 31).

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

For the year ended December 31, 2025

	Motor	Property & Casualty	Term life	Total
Insurance revenue from contracts measured under PAA	1,158,044	545,515	134,034	1,837,593
Insurance revenue – total	1,158,044	545,515	134,034	1,837,593
Incurring claims and other incurred insurance service expenses*	(1,104,849)	(175,028)	(108,305)	(1,388,182)
Losses on onerous contracts	(4,903)	-	-	(4,903)
Changes that relate to past service	58,296	114,884	24,105	197,285
Insurance acquisition cash flows amortisation	(146,685)	(68,879)	(10,055)	(225,619)
Insurance service expenses – total	(1,198,141)	(129,023)	(94,255)	(1,421,419)
Allocation of reinsurance premium paid	(11,975)	(336,296)	(93,300)	(441,571)
Amounts recoverable from reinsurers				
Claims recovered and other directly attributable expenses	(9)	88,456	80,179	168,626
Changes to amounts recoverable for incurred claims	1,845	(97,710)	(17,909)	(113,774)
Amounts recoverable from reinsurers – net	1,836	(9,254)	62,270	54,852
Net expenses from reinsurance contracts – total	(10,139)	(345,550)	(31,030)	(386,719)
Insurance service result from Company's directly written business	(50,236)	70,942	8,749	29,455
Share of surplus from insurance pools	-	-	-	1,795
Total insurance service result	(50,236)	70,942	8,749	31,250

*This includes surplus distribution of SAR 4.53 million for the year ended December 31, 2025 (Also see note 32).

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Insurance revenue and expenses (continued)

For the year ended December 31, 2024 - Restated

	Motor	Property & Casualty	Term life	Total
Insurance revenue from contracts measured under PAA	1,054,053	576,742	165,347	1,796,142
Insurance revenue – total	1,054,053	576,742	165,347	1,796,142
Incurred claims and other incurred insurance service expenses*	(940,294)	(196,678)	(155,741)	(1,292,713)
Losses on onerous contracts	(3,764)	-	-	(3,764)
Changes that relate to past service	47,070	88,098	15,718	150,886
Insurance acquisition cash flows amortisation	(123,250)	(68,080)	(7,118)	(198,448)
Insurance service expenses – total	(1,020,238)	(176,660)	(147,141)	(1,344,039)
Allocation of reinsurance premium paid	(9,512)	(398,689)	(119,150)	(527,351)
Amounts recoverable from reinsurers				
Claims recovered and other directly attributable expenses	(14)	116,464	115,582	232,032
Changes to amounts recoverable for incurred claims	809	(74,000)	(11,601)	(84,792)
Amounts recoverable from reinsurers – net	795	42,464	103,981	147,240
Net expenses from reinsurance contracts – total	(8,717)	(356,225)	(15,169)	(380,111)
Insurance service result from Company's directly written business	25,098	43,857	3,037	71,992
Share of surplus from insurance pools	-	-	-	1,702
Total insurance service result	25,098	43,857	3,037	73,694

*This includes surplus distribution of SAR 12.22 million for the year ended December 31, 2024 (Also see note 32)

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Investment return

	Note	December 31, 2025	December 31, 2024
Net gains on investments measured at FVTPL		10,027	14,670
<u>Commission income from financial assets not measured at FVTPL</u>			
Sukuks		4,330	781
Term deposits		51,026	55,878
		55,356	56,659
<u>Dividend Income</u>			
Ordinary shares		37	21
		37	21
Net investment return		65,420	71,350

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Insurance finance (expense) / income – net

An analysis of the net insurance finance (expense) / income by portfolio of contracts for the years ended December 31, 2025 and December 31, 2024 is presented below:

For the year ended December 31, 2025

	Motor	Property & Casualty	Term life	Total
Finance expense from insurance contracts issued				
Interest accreted	(6,120)	(9,878)	(1,425)	(17,423)
Effects of changes in interest rates and other financial assumptions	(144)	2,154	(23)	1,987
Foreign exchange differences	-	-	-	-
Net finance expense from insurance contracts issued	(6,264)	(7,724)	(1,448)	(15,436)
Finance income from reinsurance contracts held				
Interest accreted	16	9,239	1,842	11,097
Effects of changes in interest rates and other financial assumptions	-	(2,015)	10	(2,005)
Foreign exchange differences	-	-	-	-
Net finance income from reinsurance contracts held	16	7,224	1,852	9,092
Finance (expense) / income - net	(6,248)	(500)	404	(6,344)

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Insurance finance (expense) / income – net (continued)

For the year ended December 31, 2024

	Motor	Property & Casualty	Term life	Total
Finance expense from insurance contracts issued				
Interest accreted	(5,282)	(9,180)	(1,088)	(15,550)
Effects of changes in interest rates and other financial assumptions	(994)	(1,816)	(161)	(2,971)
Foreign exchange differences	-	-	-	-
Net finance expense from insurance contracts issued	(6,276)	(10,996)	(1,249)	(18,521)
Finance income from reinsurance contracts held				
Interest accreted	6	8,593	1,013	9,612
Effects of changes in interest rates and other financial assumptions	4	1,794	320	2,118
Foreign exchange differences	-	-	-	-
Net finance income from reinsurance contracts held	10	10,387	1,333	11,730
Finance (expense) / income - net	(6,266)	(609)	84	(6,791)

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Share of surplus from insurance pools

	Note	December 31, 2025	December 31, 2024
Share of surplus from Umrah & Hajj scheme	25.1	158	803
Share of surplus from Inherent defects insurance	25.2	256	899
Share of surplus from employers' delinquency pool	25.3	1,381	-
		<u>1,795</u>	<u>1,702</u>

25.1 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 January 1, 2020. The compulsory Umrah product is offered by the ministry and approved by IA 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. The agreement terms are for 4 years starting from January 1, 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 2024 as the aforementioned arrangement has been discontinued.

25.2 Share of surplus from Inherent defects insurance

The Cooperative Insurance Company (Tawuniya) announces its selection by the Insurance Authority on February 2, 2025 to lead the insurance pool against the Inherent defects on behalf of the insurance sector, starting from June 24, 2025, for a period of 3 years.

This represents the Company's share of surplus 1.63% (2024: 3.42%) in the Inherent Defects Insurance ("IDI") product. On June 25, 2020, a Joint Venture agreement was signed among thirteen insurance companies ("Participating Companies") operating in Kingdom of Saudi Arabia for IDI product, based on the Saudi Central Bank ('IA') 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. Effective from June 24, 2025, Tawuniya is exclusively managing the portfolio for a period of 3 years.

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 441/187of the Governor of Saudi Central Bank ("IA") dated 05/08/1441 AH (corresponding to 29/03/2020).

25.3 Share of surplus from Employers' delinquency pool

This represents the Company's share of surplus 2.49% (2024: Nil) in the Employers' Delinquency ("ED") product. On October 6, 2024, the ED product contract (the "Pool") was signed between Al Etihad Cooperative Insurance Company ("Operator") and Ministry of Human Resources and Social Development ("HRSD") for the insurance of the financial dues of non-Saudi workers in the private sector, in cooperation with a number of Saudi insurance and Reinsurance companies, and in accordance with the agreed terms and conditions and the insurance policy approved by the Insurance Authority.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 Other operating expenses

	Note	December 31, 2025	December 31, 2024
Commission Incurred		191,187	166,431
Salaries and benefits		102,545	95,613
Najm fees		52,615	43,385
Information technology		29,899	23,892
Legal and professional fees		24,676	15,503
Transaction charges		17,662	6,010
Elm fees		12,044	10,756
Value added tax on reinsurance commission		11,087	11,876
Regulatory fees		10,203	9,794
Depreciation and amortization	13,14	9,680	9,551
Office expenses		7,922	7,488
Directors' expenses	27	2,684	2,524
Others	26.4	21,965	6,565
		494,169	409,388

Allocation of expenses is as follows:

	Note	December 31, 2025	December 31, 2024
Insurance acquisition cashflows amortisation	26.1	225,619	198,448
Other incurred insurance service expenses	26.1	216,284	176,886
Allocation of reinsurance premium paid	26.2	11,087	11,876
Other operating expenses	26.3	41,179	22,178
		494,169	409,388

26.1 Reported as part of insurance service expenses.

26.2 Reported as part of allocation of reinsurance premium paid.

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

26.4 This includes Value Added Tax credit of SAR Nil (2024: SAR 9.6 million).

27 Related party transactions and balances

Related parties represent shareholders with significant influence, key management personnel (KMP) of the Company and entities controlled or jointly controlled by such shareholders and KMP. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The due from and due to balances of related parties are unsecured, interest free and repayable in cash on demand. The following are the details of the related party transactions during the year and the related balances:

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Related party transactions and balances (continued)

Nature of transactions	Transactions for the year ended	
	December 31, 2025	December 31, 2024
<u>Shareholder with significant influence</u>		
Insurance policies sold	658	760
Claims paid	170	194
Expenses incurred	3,913	3,854
<u>Entities controlled or jointly controlled by shareholder with significant influence</u>		
Insurance policies sold	43,534	46,093
Claims paid	17,206	17,255
Facultative premiums ceded	338	663
Facultative claims recovered	75	432
Facultative commission received	-	1
Expenses incurred	6,212	3,394
Key management personnel include senior management and board of directors. The following table shows the annual salaries, remuneration and allowances obtained by the Board members and five top executives for the years ended:		
	Transactions for the year ended	
	December 31, 2025	December 31, 2024
<u>Key management personnel and close relatives</u>		
Insurance policies sold	25	28
Claims paid	17	7
Remuneration and related expenses	14,152	12,898
Loans & advances	535	1,854
Long term employee benefits	486	445
<u>Board members and close relatives</u>		
Fees and related expenses	2,684	2,524
Insurance policies sold	85	107
Claims paid	1	1,211
	Balance as at	
	December 31, 2025	December 31, 2024
<u>Shareholder with significant influence</u>		
Premiums receivable	52	1
Claims payable	1	11
Amounts due for expenses	205	-
<u>Entities controlled or jointly controlled by shareholder with significant influence</u>		
Premiums receivable	16,717	6,598
Amounts due for facultative transactions	480	830
Claims payable	1,601	3,716
<u>Others (key management personnel, board members and their close relatives)</u>		
Premiums receivable	-	19
Claims payable	-	2
Employee benefits payable to key management personnel	3,955	3,289
Advances due from key management personnel	1,346	1,704

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Fair values of financial instruments

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in these financial statements.

a) Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end.

b) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial asset and 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 other long term instruments carried at interest rates, including term deposits and investments carried at amortised cost, which are based on prevalent market interest rates.

<u>December 31, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment measured at fair value through other comprehensive income (FVOCI)				
Equity	-	-	72,715	72,715
Investment measured at fair value through profit or loss (FVTPL)				
Equity	40,110	-	-	40,110
Mutual funds	55,400	58,308	-	113,708
Sukuks	47,077	168,930	-	216,007
Murabaha placements	-	-	32,563	32,563
	142,587	227,238	105,278	475,103

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Fair values of financial instruments (continued)

b) Carrying amounts and fair value (continued)

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment measured at fair value through other comprehensive income (FVOCI)				
Equity	-	-	61,118	61,118
Investment measured at fair value through profit or loss (FVTPL)				
Equity	25,253	-	-	25,253
Mutual funds	33,492	49,414	-	82,906
Sukuks	22,820	106,018	-	128,838
Murabaha placements	-	-	55,856	55,856
	<u>81,565</u>	<u>155,432</u>	<u>116,974</u>	<u>353,971</u>

The fair value of investment in quoted equity instruments and mutual funds at level 1 is based on quoted prices available in the market. The fair value of investments in mutual funds and sukuks at level 2 is based on the net asset values and value of similar quoted sukuks communicated by the fund manager. The fair value of investments in level 3 Murabaha placements include the Fund administrator report based on interest rates for Murabaha placements as confirmed by the discretionary portfolio manager and the impact of the sensitivity is not material on these Murabaha placements.

Specific valuation techniques used by management's independent experts to value financial instruments in Level 3 i.e. najm investments, 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, lack of control discount and other liquid financial assets such as Murabahas 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 total equity valuation of najm and the Company then accounts for its share in equity of Najm i.e. 3.45%.

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

There were no transfers between levels of the fair value hierarchy for the year ended December 31, 2025 and December 31, 2024. Additionally, there were no changes in the valuation techniques. Furthermore, there were no transfers into and out of level 3 measurements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Fair values of financial instruments (continued)

c) 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	116,974	100,245
Additions during the year	2,164	10,027
Disposals during the year	(25,457)	(11,354)
Fair value gain recognised on:		
Investments carried at FVTPL *	-	396
Investments carried at FVTOCI**	11,597	17,660
Fair value gain – net	11,597	18,056
Balance at the end of the year	105,278	116,974

* The fair value gain recognised on Investments carried at FVTPL has been recognized within 'Net gains on investments measured at FVTPL' in the statement of income.

** The fair value gain recognised on Investments carried at FVTOCI has been recognized within 'Net changes in fair value of investment measured at FVOCI' in the statement of comprehensive income.

WATANIYA INSURANCE COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements

December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Fair values of financial instruments (continued)

d) The below table shows significant unobservable inputs used in the valuation of level 3 investments and their respective sensitivities.

	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	72,715	61,118	Revenue growth rate	Revenue growth rate	8.74%	9.91%	Reducing the revenue growth rate by 100 basis points, would decrease the fair value by SAR 1.14 million. (2024: SAR 0.61 million)
			WACC	WACC	17.00%	16.50%	Increasing the WACC by 100 basis points, would decrease the fair value by SAR 1.86 million. (2024: SAR 1.71 million)
			Terminal value growth rate	Terminal value growth rate	1.50%	1.50%	Reducing the terminal value growth rate to 0.5%, would decrease the fair value by SAR 1.06 million. (2024: SAR 1.10 million)
			EV/EBITDA multiple	EV/EBITDA multiple	7	7	Reducing the EV/EBITDA multiple to 6 would decrease the fair value by SAR 2.76 million (2024: SAR 1.44 million).

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

e) Valuation process

The Company uses the services of a third-party valuation expert to perform the valuation of investment in Najm required for financial reporting purposes. 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, AC, 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.
- Revenue growth rate is estimated based on Company's own historical results and future projections.
- EV/EBITDA multiple is based on private precedent transactions.

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****Notes to the financial statements****December 31, 2025**(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management**Risk governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational 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 organizational 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 centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Audit committee and internal audit department:

The internal audit department performs risk assessments with senior management annually. The internal audit department examines both adequacy of procedures and the Company's compliance with the procedures through regular audits. Audit findings and recommendations are reported directly to the Audit Committee.

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.

Risk management committee:

The Board of Directors of the Company has constituted a Risk Management Committee, which oversees the risk management function of the Company and report to Board on a periodic basis. This committee operates under framework established by the Board of Directors.

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.

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

29.1 Insurance risk

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. For longer tail claims that take some years to settle, there is also inflation risk. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

The Company purchases reinsurance as part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The proportional reinsurance 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. The Company Motor portfolio is reinsured under a non-proportional treaty arrangements.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.1 Insurance risk (continued)

(a) Frequency and severity of claims

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.

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 these risks 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 overall aim is currently to restrict the impact of a single catastrophic event to approximately 10% of equity on a gross basis and 2% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of equity. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

(b) Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in the motor segment.

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 only in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

(c) Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in risk adjustment.

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.1 Insurance risk (continued)

(c) Claims development table (continued)

2025	2020 & earlier	2021	2022	2023	2024	2025	Total
Accident year							
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	2,085,285	575,610	579,165	754,193	1,088,544	1,158,832	1,158,832
1 year later	2,006,818	539,027	520,876	679,686	994,238	-	994,238
2 years later	2,002,600	541,044	496,828	669,713	-	-	669,713
3 years later	2,100,351	511,952	490,702	-	-	-	490,702
4 years later	2,102,138	512,507	-	-	-	-	512,507
5 years later	2,043,280	-	-	-	-	-	2,043,280
Gross estimates of the undiscounted amount of the claims	2,043,280	512,507	490,702	669,713	994,238	1,158,832	5,869,272
Cumulative gross claims and other incurred insurance service expenses paid	(1,837,577)	(499,579)	(457,032)	(644,475)	(935,995)	(834,882)	(5,209,540)
Gross undiscounted liabilities for incurred claims	205,703	12,928	33,670	25,238	58,243	323,950	659,732
Gross undiscounted liabilities for other incurred insurance service expenses							92,564
Effect of surplus distribution payable							20,619
Total Gross undiscounted liabilities for other incurred insurance service expenses							772,915
Effect of discounting							(16,274)
Gross discounted liabilities for incurred claims excluding risk adjustment (note 11.2.1)							756,641
Effect of the risk adjustment margin for non-financial risk (note 11.2.1)							30,904
Gross liabilities for incurred claims							787,545

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.1 Insurance risk (continued)

(c) Claims development table (continued)

2025	2020 & earlier	2021	2022	2023	2024	2025	Total
Accident year							
Undiscounted liabilities for incurred claims , net of reinsurance:							
At end of accident year	1,038,545	427,629	381,554	580,192	860,422	991,527	991,527
1 year later	1,001,639	403,210	361,704	533,772	801,946	-	801,946
2 years later	991,773	403,741	356,780	527,024	-	-	527,024
3 years later	992,256	401,552	366,065	-	-	-	366,065
4 years later	994,110	403,217	-	-	-	-	403,217
5 years later	1,042,485	-	-	-	-	-	1,042,485
Net estimates of the undiscounted amount of the claims	1,042,485	403,217	366,065	527,024	801,946	991,527	4,132,264
Cumulative Net claims and other directly attributable expenses paid	(1,039,141)	(399,470)	(363,211)	(518,552)	(780,175)	(765,775)	(3,866,324)
Net undiscounted liabilities for incurred claims	3,344	3,747	2,854	8,472	21,771	225,752	265,940
Net undiscounted liabilities for other incurred insurance service expenses							(16,076)
Effect of surplus distribution payable							20,619
Net undiscounted liabilities for other incurred insurance service expenses							270,483
Effect of discounting							(9,639)
Net discounted liabilities for incurred claims excluding risk adjustment							260,844
Effect of the risk adjustment margin for non-financial risk							11,864
Net liabilities for incurred claims							272,708

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
Gross liabilities for incurred claims	756,641	30,904	787,545
Amounts recoverable from reinsurers	(495,797)	(19,040)	(514,837)
Net liabilities for incurred claims	260,844	11,864	272,708

(d) Sensitivities analysis on major assumptions used

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss and equity for reasonably possible movements in key assumptions with all other assumptions 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. The method used for deriving sensitivity information and significant assumptions is consistent for both reporting periods. The impact of sensitivities to changes in discount rates is minimal therefore not presented.

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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.1 Insurance risk (continued)

(d) Sensitivities analysis on major assumptions used (continued)

	December 31, 2025	December 31, 2024
Liability for incurred claims		
Estimates of present value of FCF	756,641	863,210
Risk adjustment for non-financial risk	30,904	39,659
Asset for incurred claims		
Estimates of present value of FCF	(495,797)	(569,346)
Risk adjustment for non-financial risk	(19,040)	(26,987)

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

	December 31, 2025	December 31, 2024
Change in estimates of present value of FCF		
Unpaid claims and expenses increase by 5%	(37,832)	(43,161)
Unpaid claims and expenses decrease by 5%	37,832	43,161
Change in risk adjustment for non-financial risk		
5 percentiles increase in the confidence level	(8,388)	(10,677)
5 percentiles decrease in the confidence level	7,441	9,469

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

	December 31, 2025	December 31, 2024
Change in estimates of present value of FCF		
Unpaid claims and expenses increase by 5%	24,790	28,467
Unpaid claims and expenses decrease by 5%	(24,790)	(28,467)
Change in risk adjustment for non-financial risk		
5 percentiles increase in the confidence level	5,173	7,427
5 percentiles decrease in the confidence level	(4,588)	(6,578)

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

	December 31, 2025	December 31, 2024
Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component*		
Increase by 2%	13,809	10,880
Decrease by 2%	(5,570)	(3,766)

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.1 Insurance risk (continued)

(e) 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:

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB- or equivalent
- Reputation of particular reinsurance companies
- Existing or past business relationship with the reinsurer.

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 exchange of reinsurance business. As at December 31, 2025 and December 31, 2024 there is no significant concentration of reinsurance balances.

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 outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

There is no single counterparty exposure that exceeds 10% of total reinsurance assets at the reporting date.

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 period.

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	652,594	(3,406)	656,000	615,611	(3,853)	619,464
Property & Casualty	591,007	439,433	151,574	711,236	525,310	185,926
Term life	44,362	41,818	2,544	124,205	43,317	80,888
Total	1,287,963	477,845	810,118	1,451,052	564,774	886,278

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.2 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 commission rates (commission 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.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area.

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.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure. The Company has transactions in Saudi Riyals and US Dollars which are pegged and hence there is no currency risk exposure to the Company.

(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.

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 commission 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 commission rate risk.

The Company is exposed to fair value commission rate risk through its debt instruments held, 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.

The Company's exposure to commission rate risk sensitive instruments is, as follows:

	December 31, 2025	December 31, 2024
Insurance contract liabilities, net	756,641	863,210
Reinsurance contract assets, net	495,797	569,346
Debt instruments at FVTPL	248,570	184,694
Debt instruments at amortized cost	883,539	1,045,919

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.2 Market risk (continued)

(b) Commission rate risk (continued)

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit/(loss) and 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 year.

	Changes in commission rate	December 31, 2025	December 31, 2024
Insurance contract liabilities, net	+/-2%	15,133	17,264
Reinsurance contract assets, net	+/-2%	9,916	11,387
Debt instruments at FVTPL	+/-2%	4,971	3,694
Debt instruments at amortized cost	+/-2%	17,671	20,918

The Company is exposed to cash flow commission rate risk through its certain debt instruments. The impact of sensitivities to floating rate risk instruments is minimal therefore not presented.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and / or liabilities 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 contract, or by factors affecting all similar financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk. The Company's investments amounting to SAR 370 million (December 31, 2024: SAR 237 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.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments measured at fair value through profit or loss on Company's profit would be as follows:

	Fair value change	Effect on Company's profit
December 31, 2025	+/-10%	+/- 37,000
December 31, 2024	+/-10%	+/- 23,700

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments measured at fair value through other comprehensive income on Company's comprehensive income would be as follows:

	Fair value change	Effect on Company's comprehensive income
December 31, 2025	+/-10%	+/-7,271
December 31, 2024	+/-10%	+/-6,112

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2025 and December 31, 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. The method used for deriving sensitivity information and significant variables has not changed from the previous year.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.3 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.

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

	December 31, 2025	December 31, 2024
Cash and cash equivalents	102,047	53,666
Term deposits	755,814	1,029,849
Reinsurance contract assets	477,845	569,906
Investments	248,570	200,942
Statutory deposit	40,000	40,000
Accrued income on statutory deposit	486	4,372
Staff and other receivables	15,718	13,698
	1,640,480	1,912,433

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. Investment grade ratings refer 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 grade with a higher default risk. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade satisfactory or past due but not impaired.

<u>December 31, 2025</u>	<u>Non-investment grade</u>			Total
	<i>Investment grade</i>	<i>Satisfactory</i>	<i>Past due but not impaired</i>	
Cash and cash equivalents	102,074	-	-	102,074
Term deposits	755,640	-	-	755,640
Investments	248,570	-	-	248,570
Reinsurance contract assets	474,891	-	2,954	477,845
Statutory deposit	40,000	-	-	40,000
Accrued income on statutory deposit	486	-	-	486
Staff and other receivables	-	7,202	-	7,202
December 31, 2025	1,621,661	7,202	2,954	1,631,817

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.3 Credit risk (continued)

<u>December 31, 2024</u>	<i>Investment grade</i>	<u>Non-investment grade</u>		<i>Past due and impaired</i>	<i>Total</i>
		<i>Satisfactory</i>	<i>Past due but not impaired</i>		
Cash and cash equivalents	53,693	-	-	-	53,693
Term deposits	1,029,675	-	-	-	1,029,675
Investments	200,938	-	-	-	200,938
Reinsurance contract assets	564,661	-	5,245	-	569,906
Statutory deposit	39,983	-	-	-	39,983
Accrued income on statutory deposit	4,372	-	-	-	4,372
Staff and other receivables	-	7,745	-	-	7,745
December 31, 2024	1,893,322	7,745	5,245	-	1,906,312

Concentration of credit risk

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. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

29.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. 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.

- 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.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- 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.

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 consider 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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.4 Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted contractual and expected obligations relating to financial assets and liabilities as of at December 31, 2025 and December 31, 2024.

Financial assets	Less than 12 months	More than 12 months	Total
Financial assets at fair value through profit or loss ("FVTPL")	402,388	-	402,388
Financial assets at fair value through other comprehensive income ("FVOCI")	-	72,715	72,715
Financial assets at amortised cost	7,966	119,937	127,903
Statutory deposit	-	40,000	40,000
Other receivables	9,538	-	9,538
Accrued income on statutory deposit	486	-	486
Term deposits	555,814	200,000	755,814
Cash and cash equivalents	102,047	-	102,047
December 31, 2025	1,078,239	432,652	1,510,891

Financial liabilities	Less than 12 months	More than 12 months	Total
Accrued expenses and other liabilities	32,372	-	32,372
Accrued income on statutory deposit	486	-	486
December 31, 2025	32,858	-	32,858

Financial assets	Less than 12 months	More than 12 months	Total
Financial assets at fair value through profit or loss ("FVTPL")	292,853	-	292,853
Financial assets at fair value through other comprehensive income ("FVOCI")	-	61,118	61,118
Financial assets at amortised cost	-	16,248	16,248
Statutory deposit	-	40,000	40,000
Other receivables	8,625	-	8,625
Accrued income on statutory deposit	4,372	-	4,372
Term deposits	929,849	100,000	1,029,849
Cash and cash equivalents	53,706	-	53,706
December 31, 2024	1,289,405	217,366	1,506,771

Financial liabilities	Less than 12 months	More than 12 months	Total
Accrued expenses and other liabilities	25,796	-	25,796
Accrued income on statutory deposit	1,148	-	1,148
December 31, 2024	26,944	-	26,944

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.4 Liquidity risk (continued)

The following table summarizes the maturity profile of groups of insurance contracts issued and reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

Insurance contracts issued	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Motor	229,430	31,817	14,610	5,544	2,488	771
Property & Casualty	382,407	25,482	5,976	2,645	2,819	2,371
Term life	50,165	116	-	-	-	-
December 31, 2025	662,002	57,415	20,586	8,189	5,307	3,142

Reinsurance contracts held	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Motor	860	5	-	-	-	-
Property & Casualty	355,473	27,167	4,403	1,170	1,809	1,704
Term life	102,991	215	-	-	-	-
December 31, 2025	459,324	27,387	4,403	1,170	1,809	1,704

Insurance contracts issued	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Motor	265,341	23,100	9,843	4,053	1,377	410
Property & Casualty	428,467	22,162	35,428	3,366	592	-
Term life	64,643	1,991	92	1,777	568	-
December 31, 2024	758,451	47,253	45,363	9,196	2,537	410

Reinsurance contracts held	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Motor	1,265	3	-	-	-	-
Property & Casualty	408,890	19,148	34,157	1,976	332	-
Term life	101,033	1,509	51	563	419	-
December 31, 2024	511,188	20,660	34,208	2,539	751	-

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Risk management (continued)

29.4 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, equity, sukuks and Murabaha placements and are held for cash management purposes and expected to be matured/ settled within 12 months from the balance sheet date.
- Term deposits include deposits placed with high credit rating financial institutions with maturity of less than 12 months from the date of placement.
- Other receivables and prepaid expenses include staff receivables, margin deposits and due from Tawuniya for pool deals, due from Walaa, due from Al Etihad Cooperative and due from Malath for pool deal with settlement period of less than 12 months from the balance sheet date.
- Cash and bank balances are available on demand.
- Reinsurers contract assets mainly pertain to property and casualty and term life 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:

- Reinsurers contract liabilities are settled on a periodic basis as per terms of reinsurance agreements.
- 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 except for end of services benefits.

30 Capital management

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.

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 amounts of dividends paid to shareholders or issue shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by Insurance Authority (IA) in Article 66 of the Insurance Implementing Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per Insurance Implementing Regulations:

- Minimum Capital Requirement
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2025 consists of Company's regulatory capital which is financed solely by paid-up share capital of SAR 400 million, statutory reserve of SAR 49.69 million, retained earnings of SAR 137.51 million and fair value revaluation reserve of SAR 70.79 million (December 31, 2024: paid-up share capital of SAR 400 million, statutory reserve of SAR 42.27 million, retained earnings of SAR 108.17 million and fair value revaluation reserve of SAR 59.19 million), in the statement of financial position.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements as at December 31, 2025 and December 31, 2024.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Operating segments

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of income. Segment assets and liabilities comprise operating assets and liabilities.

During the year ended December 31, 2025, the Company revised its operating segment structure to align with changes in internal reporting and management oversight. Under the new structure, the Company has restructured its operations around three strategic pillars: Motor, Property & Casualty (P&C), and Term life. This change reflects a shift in how the business is managed internally and how performance is reported to and evaluated by the CODM. Accordingly, Motor Comp and Motor TPL now represent one 'Motor' segment and marine, property, engineering and accident & liability now represent a single 'Property & Casualty' segment. Comparative information for prior year has been restated to ensure consistency and comparability.

Segment assets do not include cash and cash equivalents, term deposits, investments, prepaid expenses and other assets, right-of-use assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, these are included in unallocated assets.

Segment liabilities do not include accrued expenses and other liabilities, lease liabilities, zakat and income tax payable, and accrued income on statutory deposit payable to IA. Accordingly, these are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to CODM under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2025 and December 31, 2024, its total revenues, expenses, and net income for the years then ended, are as follows:

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Operating segments (continued)

For the year ended December 31, 2025	Motor	Property & Casualty	Term life	Total
Insurance revenue	1,158,044	545,515	134,034	1,837,593
Insurance service expenses	(1,198,141)	(129,023)	(94,255)	(1,421,419)
Net expenses from reinsurance contracts	(10,139)	(345,550)	(31,030)	(386,719)
Insurance service result from Company's directly written business	(50,236)	70,942	8,749	29,455
Share of surplus from insurance pools	-	-	-	1,795
Total insurance service result	(50,236)	70,942	8,749	31,250
Net gains on investments measured at FVTPL				10,027
Commission income from financial assets not measured at FVTPL				55,356
Dividend income				37
Net investment return				65,420
Net finance (expense) / income from insurance contracts	(6,264)	(7,724)	(1,448)	(15,436)
Net finance income / (expense) from reinsurance contracts	16	7,224	1,852	9,092
Net insurance finance (expense) / income	(6,248)	(500)	404	(6,344)
Net insurance and investment result				90,326
Other income				343
Other operating expenses				(41,179)
Profit for the year attributable to the shareholders before zakat and income tax				49,490
Zakat				(11,650)
Income tax				(750)
Net profit for the year attributable to the shareholders				37,090

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Operating segments (continued)

For the year ended December 31, 2024- Restated	Property & Casualty			Total
	Motor	Casualty	Term life	
Insurance revenue	1,054,053	576,742	165,347	1,796,142
Insurance service expenses	(1,020,238)	(176,660)	(147,141)	(1,344,039)
Net expenses from reinsurance contracts	(8,717)	(356,225)	(15,169)	(380,111)
Insurance service result from Company's directly written business	25,098	43,857	3,037	71,992
Share of surplus from insurance pools	-	-	-	1,702
Total insurance service result	25,098	43,857	3,037	73,694
Net gains on investments measured at FVTPL				14,670
Commission income from financial assets not measured at FVTPL				56,659
Dividend income				21
Net investment return				71,350
Net finance (expense) / income from insurance contracts	(6,276)	(10,996)	(1,249)	(18,521)
Net finance income / (expense) from reinsurance contracts	10	10,387	1,333	11,730
Net insurance finance (expense) / income	(6,266)	(609)	84	(6,791)
Net insurance and investment result				138,253
Other income				708
Other operating expenses				(22,178)
Profit for the year attributable to the shareholders before zakat and income tax				116,783
Zakat				(13,133)
Income tax				(600)
Net profit for the year attributable to the shareholders				103,050

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Operating segments (continued)

As at December 31, 2025

	Motor	Property & Casualty	Term life	Total
Assets				
Reinsurance contract assets	-	439,433	41,818	481,251
Unallocated assets	-	-	-	1,562,710
Total assets				2,043,961
Liabilities				
Insurance contract liabilities	652,594	591,007	44,362	1,287,963
Reinsurance contract liability	3,406	-	-	3,406
Unallocated liabilities				94,605
Total liabilities				1,385,974

As at December 31, 2024 - Restated

	Motor	Property & Casualty	Term life	Total
Assets				
Reinsurance contract assets	1,279	525,310	43,317	569,906
Unallocated assets	-	-	-	1,564,916
Total assets				2,134,822
Liabilities				
Insurance contract liabilities	615,611	711,236	124,205	1,451,052
Reinsurance contract liability	5,132	-	-	5,132
Unallocated liabilities	-	-	-	69,004
Total liabilities				1,525,188

In addition to the above segment note, Gross Written Premium and Net Written Premium is disclosed in note number 33 and note number 34 respectively, as per the requirements of Insurance Authority.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

32 Surplus distribution

As required by the Implementing Regulations and the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	100%

In case of deficit arising from insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

The surplus payables to policyholders for the year December 31, 2025 amounts to SAR 4.53 million (2024: SAR 12.22 million) This has been allocated as follows:

	December 31, 2025	December 31, 2024
Motor	2,643	6,718
Property & Casualty	1,641	4,178
Term life	250	1,321
Total	4,534	12,217

33 Gross Written Premium

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

For the year ended December 31, 2025						
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	-	338,301	63,285	-	-	401,586
Very small	-	85,346	15,774	-	2,321	103,441
Small	-	93,593	99,643	-	9,502	202,738
Medium	-	187,742	111,750	-	13,974	313,466
Corporate	-	594,252	304,072	-	64,649	962,973
Total	-	1,299,234	594,524	-	90,446	1,984,204

For the year ended December 31, 2024						
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	-	260,836	31,394	-	-	292,230
Very small	-	24,779	13,222	-	567	38,568
Small	-	70,819	61,997	-	7,741	140,557
Medium	-	109,188	152,904	-	11,628	273,720
Corporate	-	660,137	293,755	-	155,025	1,108,917
Total	-	1,125,759	553,272	-	174,961	1,853,992

Total insurance revenue of SAR 1,838 million (2024: SAR 1,796 million) is calculated through adjustment of SAR 146 million (2024: SAR 58 million) for the remaining coverage period and the expected premium receipts which reconcile to the total gross written premium of SAR 1,984 million (2024: SAR 1,854 million).

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Net Written Premium

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

Item	For the year ended December 31, 2025					
	Medical	Motor	Property & casualty	Protection & Savings Individual	Protection & Savings Group (Term life)	Total
Gross written premium	-	1,299,234	594,524	-	90,446	1,984,204
Reinsurance premium ceded – globally (including excess of loss)	-	-	(21,470)	-	(13,833)	(35,303)
Reinsurance premium ceded – locally (including excess of loss)	-	(11,618)	(382,222)	-	(46,706)	(440,546)
Net written premium - total	-	1,287,616	190,832	-	29,907	1,508,355

Item	For the year ended December 31, 2024					
	Medical	Motor	Property & casualty	Protection & Savings Individual	Protection & Savings Group (Term life)	Total
Gross written premium	-	1,125,759	553,272	-	174,961	1,853,992
Reinsurance premium ceded – globally (including excess of loss)	-	42	(40,379)	-	(13,639)	(53,976)
Reinsurance premium ceded – locally (including excess of loss)	-	(9,547)	(384,773)	-	(111,783)	(506,103)
Net written premium - total	-	1,116,254	128,120	-	49,539	1,293,913

Total allocation of reinsurance premium paid of SAR 442 million (2024: SAR 527 million) is calculated through adjustment of SAR 34 million (2024: SAR 33 million) for the remaining coverage period net of reinsurance commission which reconcile to the total reinsurance premium ceded (including excess of loss) of SAR 476 million (2024: SAR 560 million).

35 Auditors' remuneration

Auditors' remuneration for the statutory audit and review of the Company financial statements for the year ended December 31, 2025 amounts to SAR 2.30 million (2024: SAR 2.38 million). Fee for other audit related services provided by the auditors to the Company amounts to SAR 0.06 million (2024: SAR 0.07 million).

36 Subsequent events

There have been no significant subsequent events since the year end, that would require disclosures or adjustments in these financial statements. Subsequent to the year ended December 31, 2025, certain geopolitical developments occurred in the Gulf region. There is currently insufficient information to estimate any impact on the Company's financial position. These are considered non-adjusting subsequent events under IAS 10 "Events after the reporting period". The management is closely monitoring the situation and will provide updates and disclosures in future periods as more information becomes available.

37 Approval of the financial statements

These financial statements have been approved by the Board of Directors on February 25, 2026 corresponding to Ramadan 8, 1447.

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information

As required by the IA 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:

a) 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	97,162	4,912	102,074	53,516	177	53,693
Term deposits	568,000	187,640	755,640	850,073	179,602	1,029,675
Financial assets at fair value through profit or loss ("FVTPL")	-	402,388	402,388	-	292,853	292,853
Financial assets at amortised cost	-	127,899	127,899	-	16,244	16,244
Financial assets at fair value through other comprehensive income ("FVOCI")	-	72,715	72,715	-	61,118	61,118
Other receivables and prepaid expenses	20,835	451	21,286	16,055	1,360	17,415
Reinsurance contract assets	481,251	-	481,251	569,906	-	569,906
Due from shareholder's \ Insurance operations	199,489	-	199,489	13,835	-	13,835
Right-of-use assets	3,041	-	3,041	4,628	-	4,628
Property and equipment	-	9,056	9,056	-	12,877	12,877
Intangible assets	-	28,142	28,142	-	32,058	32,058
Statutory deposit	-	39,983	39,983	-	39,983	39,983
Accrued income on statutory deposit	-	486	486	-	4,372	4,372
TOTAL ASSETS	1,369,778	873,672	2,243,450	1,508,013	640,644	2,148,657
Less: Inter-operations eliminations	(199,489)	-	(199,489)	(13,835)	-	(13,835)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	1,170,289	873,672	2,043,961	1,494,178	640,644	2,134,822

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information (continued)

a) Statement of financial position (continued)

	December 31, 2025			December 31, 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES AND EQUITY						
LIABILITIES						
Accrued expenses and other liabilities	54,716	653	55,369	28,345	880	29,225
Insurance contract liabilities	1,287,963	-	1,287,963	1,451,052	-	1,451,052
Reinsurance contract liability	3,406	-	3,406	5,132	-	5,132
Lease liabilities	2,931	-	2,931	4,710	-	4,710
Zakat and income tax payable	-	15,057	15,057	-	15,147	15,147
Employee benefits obligations	20,762	-	20,762	18,774	-	18,774
Accrued income on statutory deposit	-	486	486	-	1,148	1,148
Due to shareholder's \ Insurance operations	-	199,489	199,489	-	13,835	13,835
TOTAL LIABILITIES	1,369,778	215,685	1,585,463	1,508,013	31,010	1,539,023
Less: Inter-operations eliminations	-	(199,489)	(199,489)	-	(13,835)	(13,835)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	1,369,778	16,196	1,385,974	1,508,013	17,175	1,525,188
EQUITY						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	42,271	42,271	-	42,271	42,271
Retained earnings	-	144,924	144,924	-	108,168	108,168
Fair value reserve for investments	-	70,792	70,792	-	59,195	59,195
TOTAL EQUITY	-	657,987	657,987	-	609,634	609,634
TOTAL LIABILITIES AND EQUITY	1,369,778	674,183	2,043,961	1,508,013	626,809	2,134,822

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
December 31, 2025

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information (continued)
b) 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
Insurance revenue	1,837,593	-	1,837,593	1,796,142	-	1,796,142
Insurance service expenses*	(1,421,419)	-	(1,421,419)	(1,344,039)	-	(1,344,039)
Net expenses from reinsurance contracts	(386,719)	-	(386,719)	(380,111)	-	(380,111)
Insurance service result from Company's directly written business	29,455	-	29,455	71,992	-	71,992
Share of surplus from insurance pools	1,795	-	1,795	1,702	-	1,702
Total insurance service result	31,250	-	31,250	73,694	-	73,694
Commission income from financial assets not measured at FVTPL	40,599	14,757	55,356	49,327	7,332	56,659
Unrealized gain on investments	-	10,027	10,027	-	14,670	14,670
Dividend Income	-	37	37	-	21	21
Net investment return	40,599	24,821	65,420	49,327	22,023	71,350
Net finance expense from insurance contracts	(15,436)	-	(15,436)	(18,521)	-	(18,521)
Net finance income from reinsurance contracts	9,092	-	9,092	11,730	-	11,730
Net insurance finance expense	(6,344)	-	(6,344)	(6,791)	-	(6,791)
Net insurance and investment result	65,505	24,821	90,326	116,230	22,023	138,253
Other income	343	-	343	708	-	708
Other operating expenses	(25,051)	(16,128)	(41,179)	(6,982)	(15,196)	(22,178)
Net surplus from Operations	40,797	8,693	49,490	109,956	6,827	116,783
Surplus transfer to shareholders	(40,797)	40,797	-	(109,956)	109,956	-
Profit for the year before zakat and income tax	-	49,490	49,490	-	116,783	116,783
Zakat	-	(11,650)	(11,650)	-	(13,133)	(13,133)
Income tax	-	(750)	(750)	-	(600)	(600)
Net profit for the year attributable to the shareholders	-	(37,090)	37,090	-	103,050	103,050
Earnings per share (Basic and diluted) (expressed in SAR per share)	-	0.93	0.93	-	2.58	2.58

*This includes surplus distribution of SAR 4.53 million for the year ended December 31, 2025 (December 31, 2024: SAR 12.22 million) (Also see note 32).

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information (continued)**c) 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	-	37,090	37,090	-	103,050	103,050
Other comprehensive income						
<i>Items that will not be reclassified to statement of income in subsequent years</i>						
Net changes in fair value of investment measured at FVOCI – equity instruments	-	11,597	11,597	-	17,660	17,660
Remeasurement gain / (loss) on defined benefit obligations	-	(334)	(334)	-	646	646
Total other comprehensive income	-	11,263	11,263	-	18,306	18,306
Total comprehensive income for the year attributable to the shareholders	-	48,353	48,353	-	121,356	121,356

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information (continued)**d) 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 FLOW FROM OPERATING ACTIVITIES						
Profit for the year attributable to the shareholders before zakat and income tax	-	49,490	49,490	-	116,783	116,783
Adjustments for non-cash items:						
Depreciation of property and equipment	-	5,764	5,764	-	5,560	5,560
Depreciation of right-of-use assets	1,587	-	1,587	925	-	925
Finance cost on lease liabilities	311	-	311	203	-	203
Amortization of intangible assets	-	3,916	3,916	-	3,991	3,991
Net gains on investments measured at FVTPL	-	(10,027)	(10,027)	-	(14,670)	(14,670)
Provision for employee benefits obligations	4,425	-	4,425	4,051	-	4,051
Commission income from financial assets not measured at FVTPL	(40,599)	(14,757)	(55,356)	(49,327)	(7,332)	(56,659)
Expected credit loss adjustment	-	-	-	-	(125)	(125)
Dividend income	-	(37)	(37)	-	(21)	(21)
Capital work in progress written off	-	-	-	-	-	-
	(34,276)	34,349	73	(44,148)	104,186	60,038
Changes in operating assets and liabilities:						
Other receivables and prepaid expenses	(4,780)	909	(3,871)	2,586	(642)	1,944
Accrued expenses and other liabilities	26,371	(227)	26,144	(14,999)	202	(14,797)
Due to / (from) shareholders' operations	(185,320)	185,320	-	(77,648)	77,648	-
Insurance contracts liabilities	(163,089)	-	(163,089)	154,615	-	154,615
Reinsurance contract assets	88,655	-	88,655	62,017	-	62,017
Reinsurance contract liability	(1,726)	-	(1,726)	1,122	-	1,122
	(274,165)	220,351	(53,814)	83,545	181,394	264,939
Zakat and income tax paid	-	(12,490)	(12,490)	-	(11,185)	(11,185)
Payment of employee benefits obligation	(2,771)	-	(2,771)	(1,495)	-	(1,495)
Income paid on statutory deposit	-	3,224	3,224	-	(3,224)	(3,224)
Net cash generated from operating activities	(276,936)	211,085	(65,851)	82,050	166,985	249,035

WATANIYA INSURANCE COMPANY**(A Saudi Joint Stock Company)****December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

Supplementary information (continued)**d) 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 FLOW FROM INVESTING ACTIVITIES						
Additions to property and equipment	-	(1,943)	(1,943)	-	(6,872)	(6,872)
Additions to FVTPL investments	-	(101,796)	(101,796)	-	(55,000)	(55,000)
Additions to investments held at amortised cost	-	(110,458)	(110,458)	-	(7,026)	(7,026)
Proceeds from disposal of FVTPL investments	-	-	-	-	77	77
Placements in term deposits	(555,750)	(85,000)	(640,750)	(824,656)	(175,807)	(1,000,463)
Proceeds from term deposits matured	824,656	75,807	900,463	735,850	71,190	807,040
Commission income from financial assets not measured at FVTPL	53,766	14,715	68,481	38,643	6,314	44,957
Net gains on investments measured at FVTPL	-	2,288	2,288	-	240	240
Dividend income	-	37	37	-	21	21
Net cash used in investing activities	322,672	(206,350)	116,322	(50,163)	(166,863)	(217,026)
CASH FLOW FROM FINANCING ACTIVITIES						
Principal elements of lease payments	(2,090)	-	(2,090)	(1,046)	-	(1,046)
Net cash generated from financing activities	(2,090)	-	(2,090)	(1,046)	-	(1,046)
Net change in cash and cash equivalents	43,646	4,735	48,381	30,841	122	30,963
Cash and cash equivalents at the beginning of the year	53,516	177	53,693	22,675	55	22,730
Cash and cash equivalents at the end of the year	97,162	4,912	102,074	53,516	177	53,693
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION						
Net changes in fair value of investment measured at FVOCI	-	11,597	11,597	-	17,660	17,660
Right-of-use assets recorded against lease liabilities	-	-	-	5,553	-	5,553
Remeasurement gain / (loss) on defined benefit obligations	-	(334)	(334)	-	646	646