

Financial statements for the year
ended 31 December 2025

Auditors' report for the year ended 31
December 2025

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**THE MEDITERRANEAN & GULF COOPERATIVE
INSURANCE AND REINSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS'
REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2025

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE
INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Opinion

We have audited the financial statements of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at 31 December 2025, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes 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 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (“ISAs”) 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 that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 year. 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.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of estimates of present value of cashflows and risk adjustments for non-financial risk - insurance contract liabilities</p> <p>As at 31 December 2025, estimate of present value of cash flows and risk adjustments for non-financial risk for insurance contracts issued amounted to SR 1,072.56 million and SR 40.28 million (2024: SR 1,085.08 million and SR 48.36 million) respectively, as reported in note 6 to the financial statements.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of internal control procedures and their operational effectiveness; • Evaluated and tested the data used in the process of valuation of the present value of future cash flows (“PVFCFs”); • Tested samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, reinsurance contracts etc.;

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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>The estimation of the liability for incurred claims 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 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, together with the related claims handling costs.</p> <p>The loss component is recognized if at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous. Such loss component is remeasured at each reporting date as the difference between the amounts of the fulfillment cashflows determined under the general measurement model relating to the future service and the carrying amount of the liability for remaining coverage without the loss component.</p> <p>Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter.</p> <p>Refer to notes 3(a) and 3(p) for accounting policy and significant accounting judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 6 for the movement in insurance contract liabilities.</p>	<ul style="list-style-type: none"> • Evaluated the objectivity, skills, qualifications and competence of the independent external actuary and reviewed the terms of the actuary's engagement with the Company to determine if the scope of its work was sufficient for audit purposes; and • Assessed the disclosures relating to this matter in the financial statements against the requirements of International Financial Reporting Standards ("IFRS"). <p>In addition, with the assistance of our actuarial experts, we performed the following:</p> <ul style="list-style-type: none"> • Evaluated the Company's actuarial practices and provisions established, including the actuarial report issued by management's expert; • Assessed the calculation methods and the models used; • Assessed key actuarial assumptions including loss ratios, claims development factors, mortality rates, lapse rates and discount rates; • Determined if the estimates applied in the current and prior year were consistent; and • Developed a point estimate or range based on our understanding of the Company's business and evaluated the differences between management's point estimate and our point estimate or range.

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TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE
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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Goodwill</p> <p>As at 31 December 2025, the Company's goodwill amounted to SR 723.47 million (2024: SR 480 million), which represents the fair value of the consideration paid in excess of the fair value of net assets and liabilities acquired. The increase during the year relates to goodwill of SR 243.47 million arising from the merger with Buruj Cooperative Insurance Company.</p> <p>Management reviews goodwill for impairment annually, and assesses the recoverable amount of the cash-generating unit (or a group of cash-generating units) to which the goodwill is related. As per IAS 36, an impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.</p> <p>As management believes that fair value less cost of disposal analysis provides higher value compared to value in use, therefore, fair value less cost of disposal analysis are used for impairment valuation. Management uses its expert to perform fair value less cost of disposal analysis that use market approach to determine the need for impairment. In arriving at the valuation under the market approach, the expert applied certain judgments and factors including historical median of company's three years share price, market capitalization at closing rate, price to book value multiple, comparable companies' analysis and discounted cash flows analysis.</p> <p>We considered this as a key audit matter as the estimation of recoverable value of the cash-generating unit involves the application of management judgment and estimation.</p> <p>Refer to the note 3(g) to the financial statements for material accounting policies for goodwill, note 15 for the details of goodwill and note 3(p)(iv) which explains the valuation methodology used by the Company and critical judgments and estimates.</p>	<p>We performed the following procedures:</p> <p>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.</p> <p>We evaluated the source data of significance to the management's experts work for relevance, completeness and accuracy by performing the following procedures:</p> <ul style="list-style-type: none"> • Inquired of the expert to determine how the expert has obtained satisfaction that the data used is relevant, complete and accurate; • Reviewed the data for completeness and internal consistency; and • Agreed the data to supporting documentation. <p>We involved our experts and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used.</p> <p>We reviewed the annual operating plans and ensured they were consistently applied in the goodwill impairment assessment conducted by the management.</p> <p>We gained an understanding and evaluated methods and assumptions that are significant to the management's experts work for their relevance and reasonableness by reviewing the expert's report and cross checked their consistency with other audit evidence.</p>

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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Business Combination</p> <p><i>Merger Accounting</i></p> <p>During the year ended December 31, 2025, the shareholders of the Company, in the Extraordinary General Meeting ("EGM") held on October 23, 2025 corresponding to 01 Jumada Al-Awwal 1447H, approved the proposed merger of the Company and Buruj Cooperative Insurance Company, through the issuance of thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares at a rate of 1.105263 new shares in the Company for every share in Buruj Cooperative Insurance Company in accordance with the terms and conditions of the Merger Agreement. Further to the announcement of effectiveness of merger, on October 30, 2025, the Company completed a statutory merger with Buruj Cooperative Insurance Company. On this basis, the net assets and business activities of Buruj Cooperative Insurance Company were transferred to the Company in exchange for newly issued shares of the Company. The Company completed the merger with Buruj Cooperative Insurance Company for a total purchase consideration of SR 503.67 million. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method.</p> <p>During the year, the Company also completed a comprehensive purchase price allocation ("PPA") exercise, for which management engaged an independent third party, and finalized the fair valuation adjustments to the assets acquired and liabilities assumed.</p> <p>Purchase price allocation requires significant management judgment in determining the fair values of assets acquired and liabilities assumed, including intangible assets, which are inherently judgmental due to the specialized nature of most intangible assets and the subjectivity of the assumptions used to appropriately value them.</p>	<p>We have reviewed the key terms in the merger agreement, the relevant board minutes, and the required regulatory approvals to obtain an understanding of the business combination transaction.</p> <p>We involved our specialists and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used.</p> <p>We evaluated the identification and valuation of intangible assets based on our understanding of the business of the acquired entity " Buruj Cooperative Insurance Company", and involved our valuation specialists in discussions with management to challenge the identification and valuation results and underlying assumptions as determined by management and the Company's external expert.</p> <p>We evaluated and challenged the appropriateness of the useful lives assigned to the identified intangible assets.</p> <p>We assessed the adequacy and completeness of the disclosures to the financial statements against the relevant International Financial Reporting Standards ("IFRS") disclosure requirements.</p> <p>We evaluated the competence, capabilities, and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.</p>

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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>We consider this area as a key audit matter because of:</p> <ul style="list-style-type: none"> • the scale of the merger transaction and the purchase price allocation exercise conducted; • the subjectivity and judgment inherent in determining the fair values of the assets acquired (including intangible assets) and the liabilities assumed; and • the accuracy and completeness of the data used to calculate the components of the purchase price allocation and the related statement disclosures. <p>For business combination and intangibles, refer to note 5 which contains the disclosure of purchase consideration, valuation approach and methodologies for other intangibles, identifiable assets acquired and liabilities assumed and purchase price allocation.</p>	

Other information

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

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 Company's 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 Saudi Organization for Chartered and Professional Accountants, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE
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Responsibilities of management and those charged with governance for the financial statements (Continued)

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

**INDEPENDENT AUDITORS' REPORT
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Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

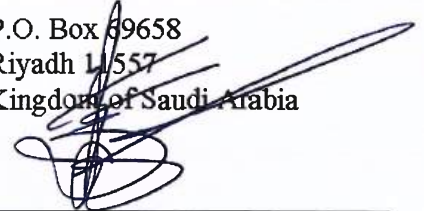
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Certified Public Accountant
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01 April 2026
Riyadh, Kingdom of Saudi Arabia



THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

MG |

	Notes	SAR '000	
		December 31, 2025	December 31, 2024
		(Audited)	(Audited)
ASSETS			
Cash and cash equivalents	7	480,580	486,067
Short term deposits	8	240,376	29,445
Financial investments	13	1,308,422	1,051,844
Insurance contract assets	6	110,217	2,866
Reinsurance contract assets	6	378,625	416,030
Prepayment and other assets, net	9	250,456	196,198
Investment in an associate	12	10,792	9,901
Property and equipment, net	11	28,332	18,315
Intangible assets, net	11	27,889	11,093
Right of use assets, net	10	19,049	1,577
Statutory deposit	14	187,500	157,500
Accrued commission on statutory deposit	16	3,511	11,726
Goodwill	15	723,465	480,000
Deferred tax asset	17 (c)	9,581	10,474
TOTAL ASSETS		3,778,795	2,883,036

The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2025

MG |

	Notes	SAR '000	
		December 31, 2025 (Audited)	December 31, 2024 (Audited)
LIABILITIES			
Accrued expenses and other liabilities		77,032	125,241
Insurance contract liabilities	6	2,001,697	1,659,510
Reinsurance contract liabilities	6	31,340	10,752
Zakat & income tax	17 (a)	7,735	9,810
Lease liability	18	20,087	2,080
End of service indemnities	20	44,524	35,273
Accrued commission on statutory deposit	16	3,511	11,726
TOTAL LIABILITIES		2,185,926	1,854,392
EQUITY			
Share capital	24	1,381,579	1,050,000
Share premium		242,089	70,000
Statutory reserve		26,135	26,135
Accumulated losses		(114,072)	(155,135)
Re-measurement of end of service indemnities		(22,565)	(21,364)
Fair values reserve on investments		79,703	59,008
TOTAL EQUITY		1,592,869	1,028,644
TOTAL LIABILITIES AND EQUITY		3,778,795	2,883,036

COMMITMENTS AND CONTINGENCIES

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The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

MG |

	Notes	SAR '000	
		December 31, 2025 (Audited)	December 31, 2024 (Audited)
Insurance revenue	22	4,320,236	3,551,790
Insurance service expense	22	(4,030,938)	(3,170,901)
Net expense from reinsurance contract held	22	(238,664)	(361,077)
Share of surplus from insurance pools	19	4,143	5,582
<u>Insurance service result</u>		54,777	25,394
Special commission income		51,826	49,053
Investment loss on financial assets at fair value through profit or loss		(22,958)	(2,856)
Dividend income		10,269	18,612
<u>Net investment income</u>		39,137	64,809
Insurance finance expense for insurance contracts issued	23	(39,321)	(27,685)
Reinsurance finance income for reinsurance contracts held	23	5,839	23,096
<u>Net insurance finance income / (expense)</u>		(33,482)	(4,589)
<u>Net insurance and investment result</u>		60,432	85,614
Other (expense) / income	27	(4,855)	31,587
Share of income from associate	12	1,553	(286)
Shareholders' general and administrative expenses	27.1	(12,791)	(6,857)
Total other operating (expense) / income		(16,093)	24,444
Net income for the year before appropriation and before zakat and income tax		44,339	110,058
Net income attributed to insurance operation		(1,267)	(3,020)
Net income for the year appropriation and before zakat and income tax		43,072	107,038
Zakat and income tax expense	17 (a)	(1,116)	(8,232)
Deferred tax	17 (c)	(893)	3,188
Income attributed to the shareholders after zakat and income tax		41,063	101,994
Earnings per share (expressed in SAR per share)	21 (b)	0.30	0.97

The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

MG |

	Notes	SAR '000	
		December 31, 2025 (Audited)	December 31, 2024 (Audited)
Income attributed to the shareholders after zakat and income tax		41,063	101,994
Other comprehensive income			
Items that will not be reclassified to statement of income in subsequent periods			
Net changes in fair value of investments measured at FVOCI – equity instruments	13 a)	20,695	17,670
Re-measurement (loss) / gain of end of service indemnities	20	(1,201)	(8,217)
		<u>19,494</u>	<u>9,453</u>
Items that are or may be reclassified to statement of income in subsequent periods			
Share of other comprehensive loss of investment in equity accounted investments	12	-	(223)
		-	(223)
Total comprehensive income for the year		<u><u>60,557</u></u>	<u><u>111,224</u></u>

The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

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For the year ended December 31, 2025	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at December 31, 2024 (audited)	1,050,000	70,000	26,135	(155,135)	59,008	(21,364)	1,028,644
Total comprehensive income for the year	-	-	-	41,063	-	-	41,063
-Net income for the year	-	-	-	-	20,695	(1,201)	19,494
-Other comprehensive income	-	-	-	-	-	-	-
Issuance of share capital	331,579	172,089	-	-	-	-	503,668
Balance as at December 31, 2025 (audited)	1,381,579	242,089	26,135	(114,072)	79,703	(22,565)	1,592,869

For the year ended December 31, 2024

For the year ended December 31, 2024	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at December 31, 2023 (audited)	1,050,000	70,000	26,135	(257,129)	41,561	(13,147)	917,420
Total comprehensive income for the year	-	-	-	101,994	-	-	101,994
-Net income for the year	-	-	-	-	17,447	(8,217)	9,230
-Other comprehensive income	-	-	-	-	-	-	-
Balance as at December 31, 2024 (audited)	1,050,000	70,000	26,135	(155,135)	59,008	(21,364)	1,028,644

The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

	Notes	SAR '000	
		December 31, 2025 (Audited)	December 31, 2024 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before zakat and income tax		43,072	107,038
Adjustments for non-cash items:			
Depreciation and amortization	11	16,968	15,088
Depreciation on right of use assets	10	9,857	9,010
Financial charges on lease liability	18	1,126	148
Share of income from associate	12	(1,553)	286
Gain on disposal of land		-	(22,187)
Provision for end of service benefits	20.2	8,281	11,235
Gain due to change in fair value of financial asset through profit or loss	13 (b)	22,952	2,856
		100,703	123,474
Changes in operating assets and liabilities:			
Insurance contract assets		(80,634)	2,426
Reinsurance contract assets		93,043	276,457
Prepayment and other assets, net		183,191	(81,044)
Insurance contract liabilities		(177,229)	(338,328)
Reinsurance contract liabilities		(7,150)	(65,391)
Accrued expenses and other liabilities		(84,885)	44,845
		27,039	(37,561)
Zakat and income tax paid		(16,327)	(7,383)
End-of-service benefits paid		(5,746)	(8,582)
Net cash generated from operating activities		4,966	(53,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend from associate	12	1,250	1,750
Additions to investments carried at FVTPL	13 (b)	(179,555)	(142,104)
Additions to investments carried at FVTOCI	13 (a)	-	(15,114)
Proceeds from disposal of investments carried at FVTPL		154,122	12,186
Additions in property, equipment and intangible	11	(32,259)	(4,758)
Proceeds from disposal of land		-	52,187
(Placements in) / proceeds from short term deposits, net	8	(210,931)	203,822
Cash & cash equivalent acquired through business combination		267,413	-
Net cash (used in) / generated from investing activities		40	107,969
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability paid	18	(10,493)	(8,946)
Net cash used in financing activities		(10,493)	(8,946)
Net change in cash and cash equivalents		(5,487)	45,497
Cash and cash equivalents, beginning of the year	7	486,067	440,570
Cash and cash equivalents, end of the year		480,580	486,067
Non-cash supplemental information:			
Net changes in fair value of investments measured at FVOCI – equity instruments		20,695	17,670

The accompanying notes 1 to 33 form an integral part of these financial statements.



Mr. Yasser Youssef Mohammed Naghi
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

1 General

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered address of the Company’s head office is as follows:

Medgulf Insurance
Futuro Tower
King Saud Road
P.O. Box 2302
Riyadh 11451, Saudi Arabia

The objectives of the Company are to transact in cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor and other general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2 BASIS OF PREPARATION

a) Basis of presentation and measurement

The financial statements have been prepared on a historical cost basis except for the measurement of financial assets at fair value through profit & loss and financial assets at fair value through other comprehensive income and investment in associates which is accounted for under equity method and end of service benefits.

Statement of compliance

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

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI) and end-of-service benefits measured at present value. The Company’s statement of financial position is not presented using a current/non-current classification.

The Company’s statement of financial position is presented in order of liquidity. Except for financial assets, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit and accrued income payable to Insurance Authority, all other assets and liabilities are of short-term nature.

As required by the Saudi Arabian Insurance Regulations (The Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 30 to these financial statements provides the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations, separately. The accounting policies adopted for the insurance and shareholders’ operations are in accordance with IFRS as endorsed by SOCPA.

In preparing the financial statements in compliance with IFRS as endorsed by SOCPA, the balances and transactions of insurance operations are combined with those of shareholders’ operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders’ operations are uniform for like transactions and events in similar circumstances.

b) Presentation currency

The functional and presentation currency of the Company is Saudi Arabian Riyals. The financial statements are presented in Saudi Riyal rounded to the nearest thousand (SAR’000) unless otherwise stated.

2 BASIS OF PREPARATION (Continued)

c) Going concern

The Company's accumulated losses as of December 31, 2025 are 8.26% (December 31, 2024: 14.77%) of its subscribed capital and as of the same date the Company's solvency coverage is above the prudential solvency requirements. The management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying projections under such scenarios, the management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant underwriting and pricing measures, improved recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

During the year, the share capital increased from SAR 1,050 million to SAR 1,381.58 million by issuing of 33,157,894 new shares to acquire Buruj (refer to Note 5). The financial statements have been prepared by combining the portfolios after the merger and the numbers are consolidated accordingly (refer to Note 5).

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The solvency margin of the Company as at December 31, 2025 is 104.28% (December 31, 2024: 71%).

3 MATERIAL ACCOUNTING POLICIES

a) Insurance, reinsurance and investment contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts also expose the Company to financial risk.

The Company does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated. All of the Company's portfolios are eligible under PAA.

The coverage period of all the portfolios (primary and reinsurance) are assumed to be one year or less hence automatically qualifies for Premium Allocation Approach (PAA) except for Engineering, Accident and Liability, Marine Cargo (open cover), Visa Health Insurance and Property for which PAA eligibility testing was performed. Based on the results no material difference observed in the measurement of liability for remaining coverage between PAA and General Model, therefore, these qualify for PAA.

Reinsurance contracts: the coverage period of the reinsurance contracts is one year or less hence all such contracts qualify for PAA.

i. Separating components from insurance and reinsurance contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components – i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

3 MATERIAL ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

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.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

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 coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which a legally bound insurance contract belongs is onerous.

The Company recognises a group of reinsurance contracts initiated that provide proportionate coverage at the later of the beginning of the coverage period of the group of reinsurance contracts and the initial recognition of any underlying contract, and recognises all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Company receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

The Company recognises a group of contracts acquired at the date of acquisition.

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:

- 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
- 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.

3 MATERIAL ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

v. 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 disaggregates amounts recognised in the statement of income and other comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or 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.

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 – Contracts measured under the PAA

For contracts measured under the PAA, 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 following bases:

- other contracts: the passage of time.

Net results from reinsurance contracts

Net results from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers.

The Company recognises reinsurance service results as it receives coverage or other services under groups of reinsurance contracts. For contracts not measured under the PAA, the reinsurance service expenses relating to services received for each reporting period represent the total of the changes in the remaining coverage component that relate to services for which the Company expects to pay consideration.

For contracts measured under the PAA, the reinsurance service expenses for each period are the amount of expected premium payments for receiving coverage in the period.

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, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses.

vi. Liability for incurred claims "LIC"

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and non-acquisition expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company presents the entire change in risk adjustment as part of insurance service results.

The Company establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

3 MATERIAL ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

vi. Liability for incurred claims "LIC" (continued)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

vii. Insurance acquisition costs and directly attributable expenses

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

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Company amortises the insurance acquisition costs over the contract period.

viii. Other operating expenses

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

ix. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

x. 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.

3 MATERIAL ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

xi. Onerous contract

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. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

xii. 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 it 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 insurance contracts. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

b) Financial assets and financial liabilities

Financial assets – classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost

Debt Instruments:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment that is not held for trading, the Company may irreversibly elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

3 MATERIAL ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Financial assets – Classification (continued)

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of income.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of income and presented net within other gains/(losses) in the period in which it arises.

3 MATERIAL ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of income following the derecognition of the investments. Dividends from such investments continue to be recognised in statement of income as investment income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – Impairment

Overview of expected credit loss ("ECL") principles

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 life expected credit losses expected to occur within 12 months of balance sheet 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.

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss is recognized on equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Company.

Staging of financial assets

The Company categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

3 MATERIAL ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Financial assets – Impairment (continued)

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Company considers indicators that are:

- qualitative- e.g., breaches of covenant.
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

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 by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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 reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyzes the relationship between key economic trends with the estimate of PD. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

3 MATERIAL ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Financial assets – Impairment (continued)

Forward looking estimate (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

Classification and derecognition of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate (“EIR”). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of income. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

c) Provisions

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.

d) Employees’ end of service indemnities

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income – insurance operations.

e) Dividend income

Dividend income is recognised when the right to receive dividend is established.

f) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

g) Goodwill

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

h) Statutory reserve

In accordance with its bylaws, 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. In view of the accumulated losses, no such transfer has been made for the period ended December 31, 2025.

i) Accrued and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 MATERIAL ACCOUNTING POLICIES (Continued)

j) Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Company applies the cost model, and measure right of use asset at cost;

1. less any accumulated amortization and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, generally, the initial carrying value of a right-of-use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction, etc. it needs to be added to the right of use asset value.

The recognised right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. right-of-use assets are subject to impairment.

Lease liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

k) Zakat and income tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat is calculated based on higher of approximate zakat base and adjusted profit and charged to statement of income. Additional zakat, if any, is accounted for when determined to be required for payment if the estimate of the annual charge changes.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes.

On 22 March 2024, ZATCA announced the issuance of a new Zakat Implementing Regulation, through the Ministerial Resolution (MR) No.1007 dated 29 February 2024, which was electronically published in the Official Gazette (Umm Al-Qura) on 21 March 2024. The new Zakat regulation is replacing the current regulation issued through MR No. 2216 dated 14 March 2019.

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, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 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 and generate 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.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in statement of income, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity.

3 MATERIAL ACCOUNTING POLICIES (Continued)

l) Land, property and equipment

Land is stated at cost less any impairment and is not depreciated. Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of income on a straight line basis at the following depreciation rates:

<u>Class of Assets</u>	<u>Rates</u>
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of income.

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.

m) Intangible assets

IT development and software is shown at historical cost. It has a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following rates:

	<u>Rates</u>
IT development and software	15% - 25%

n) Investment in an associate

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

o) Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial statement is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

Shareholders' operations' is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 MATERIAL ACCOUNTING POLICIES (Continued)

p) Critical accounting judgments, estimates and assumptions

The preparation of financial statements require 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 notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

i) Insurance contracts

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. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgement and estimates include Risk Adjustment ("RA") and liability for incurred claims – estimate of future cash flows. Refer to note 3 for further details.

ii) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

iii) Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on the going concern basis.

iv) Impairment of goodwill

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2025 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

v) Expense attribution

The Company identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling /maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the consolidated statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Company has determined costs directly identified to the groups of contracts, as well as, costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses are recognized in the statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

vi) Business combination and Goodwill impairment assessment

The Company has exercised judgement in relation to the Buruj's merger with Medgulf (note 5) and the related goodwill impairment assessment (note 15).

3 MATERIAL ACCOUNTING POLICIES (Continued)

q) Surplus distribution

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Insurance Authority ("IA"). In case of losses, losses are absorbed by shareholders.

4 New and amended standards and interpretations

New standards, interpretations, and amendments effective in the current year

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2025, but do not have a significant impact on the financial information of the Company.

Standard / interpretation	Description	Effective from periods beginning on or after
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Amendment to IAS 21 – Lack of exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.	1 January 2025
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New standards, interpretations, and amendments not yet effective

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

Standard / interpretation	Description	Effective from periods beginning on or after
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Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Classification and Measurement of Financial Instruments	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7.	1 January 2026
Contracts referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7	These amendments modify the 'own use' requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply full IFRS recognition and measurement principles. The standard affects disclosure requirements only and does not impact recognition or measurement.	1 January 2027

5 BUSINESS COMBINATION

The Company announced the signing of a non-binding Memorandum of Understanding (the "MOU") with Buruj Cooperative Insurance Company ("Buruj") on 21/01/1446H (corresponding to 27/07/2024G) to evaluate a potential merger between the two companies.

The Company announced the signing of a binding Memorandum of Understanding (the "MOU") with Buruj Cooperative Insurance Company ("Buruj") on 01/02/1447H (corresponding to 26/07/2025G) pursuant to which Buruj will be merged into Medgulf and all of Buruj's rights, liabilities, assets and contracts will be subsumed by Medgulf in exchange for Medgulf's issuance of 33,157,894 new ordinary shares with a nominal value of SAR 10 each in Medgulf to Buruj's shareholders pursuant to Article (225) and Articles (227) to (229) of the Companies Law, Article (49)(a)(1) of the Merger and Acquisition Regulations and in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, and in accordance with the conditions and provisions of the Merger Agreement (the "Merger").

The Insurance Authority and the Capital Market Authority granted their approvals for the merger and related capital increase on 15/03/1447H (corresponding to 07 September 2025G) and 30/03/1447H (corresponding to 22 September 2025G) respectively.

Subsequent to the reporting date, on 01/05/1447H (corresponding to 23 October 2025G), the Company's Extraordinary General Meeting approved the increase of the Company's share capital from SAR 1,050,000,000 to SAR 1,381,578,940, representing an increase of 31.58%, through the issuance of 33,157,894 ordinary shares at an exchange ratio of 1.105263 shares in Medgulf for each share in Buruj. The new shares were listed and deposited into the accounts of Buruj shareholders on 06 May 1447H (corresponding to 28 October 2025G).

The effective date of the merger of Buruj into the Company is 08/05/1447H (corresponding to 30 October 2025G) after fulfilling the merger conditions agreed upon between the two companies in the merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the merger.

From the Merger's effective date, the rights, liabilities, assets, and contracts of Buruj are transferred to the merging entity, and the merging entity shall become the legal successor of Buruj. The formalities to update the legal documents are under process.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Company being the acquirer and Buruj being the acquiree. The Company has accounted for the acquisition based on fair values of the acquired assets and assumed liabilities as at 30 October 2025 "acquisition date".

For this business combination, the Company is required to disclose: (i) the revenue and profit or loss of the merged business from the merger date to the end of the reporting period; and (ii) the revenue and profit or loss for the reporting period as if the merger had occurred at the beginning of the period.

Following the business combination, the Company does not maintain separate accounting records for the former Medgulf and Buruj entities. Gross written premiums, insurance contract liabilities and reserves, claims paid, expenses and other related items are recorded and monitored only on a combined basis. Management has assessed whether it is possible to prepare the required pro forma information and has concluded that this is impracticable, as it would require the use of hindsight and highly judgemental allocation methodologies and would involve disproportionate cost and effort. Accordingly, this pro forma information has not been presented and the financial statements reflect only the results of the merged business.

Purchase consideration

The purchase consideration was determined to be SR 503.668 million which consisted of the issuance of 33,157,894 ordinary shares at an exchange ratio of 1.105263 shares in Medgulf for each share in Buruj.

The fair value of the new issued shares of the Company was determined on the basis of the closing market price of the ordinary shares of SAR 15.19 per share on the Tadawul on the last trading date prior to the acquisition date. As a result, there was an increase in share capital and share premium of SR 331.579 million and SR 172.090 million, respectively.

The management has carried out a comprehensive Purchase Price Allocation.

Measurement of fair values

The Company has completed a comprehensive purchase price allocation finalising valuation adjustments to the following:

- Customer relationship (intangible)
- Right of use asset
- Insurance contract liabilities

The goodwill is primarily attributable to the expected future earnings of the acquired business and cost synergies created. The fair value of the customer relationship has been estimated using the Multi-Period Excess Earnings Method ("MPEEM") under the Income approach. For PPA purposes, lease liabilities were assessed considering discount rates reflective of the Company's incremental borrowing rate at the Transaction Date. The fair value adjustment in the insurance contract liabilities relates to LIC, which consists of OSLR, IBNR, ULAE and RA and the impact of discounting as at the valuation date. The LIC is calculated using a fulfilment cashflow approach to estimate the present value of the estimates of future cash flows plus the Risk Adjustment (RA) for non-financial risk.

5 BUSINESS COMBINATION (Continued)

The following table summarises the fair value of assets acquired and liabilities assumed at acquisition date.

	Insurance Operations	Shareholders' Operations	Total
	As at October 30, 2025 (Audited)		
	SAR '000		
ASSETS			
Cash and cash equivalents`	11,637	63,464	75,101
Short term deposits	92,406	99,906	192,312
Financial investments	24,985	209,002	233,987
Insurance contract assets	26,717	-	26,717
Reinsurance contract assets	55,638	-	55,638
Prepayment and other assets, net	229,634	60	229,694
Property and equipment, net	6,823	-	6,823
Intangible assets, net	4,700	-	4,700
Right of use assets, net	1,164	-	1,164
Statutory deposit	-	29,999	29,999
Accrued interest	3,513	4,242	7,755
Due from / to shareholders` / insurance operation	132,686	(132,686)	-
TOTAL ASSETS	589,903	273,987	863,890
LIABILITIES			
Accrued expenses and other liabilities	36,025	648	36,673
Insurance contract liabilities	519,416	-	519,416
Reinsurance contract liabilities	27,738	-	27,738
Lease liability	1,209	-	1,209
Zakat & income tax	-	13,136	13,136
End of service indemnities	5,515	-	5,515
TOTAL LIABILITIES	589,903	13,784	603,687
Buruj's net assets as at acquisition date	-	260,203	260,203
Goodwill arising from the acquisition	-	243,465	243,465
Intangibles recognised from the acquisition	-	-	-
Purchase consideration	-	503,668	503,668

6 INSURANCE AND REINSURANCE CONTRACTS

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
Insurance contract assets	110,217	2,866
Insurance contract liabilities	(2,001,697)	(1,659,510)
Reinsurance contract assets	378,625	416,030
Reinsurance contract liabilities	(31,340)	(10,752)

6.1 Analysis by remaining coverage and incurred claims for insurance contracts

All portfolios / segments under PAA	December 31, 2025 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	(10,404)	3,532	3,430	576	(2,866)
Opening insurance contract assets - acquired	-	-	-	-	-
Opening insurance contract liabilities	505,774	24,302	1,081,650	47,784	1,659,510
Opening insurance contract liabilities - acquired	418,566	57,528	12,658	-	488,752
Net opening balance	913,936	85,362	1,097,738	48,360	2,145,396
Insurance revenue	(4,320,236)	-	-	-	(4,320,236)
Incurred claims and other directly attributable expenses	-	(42,102)	3,820,507	26,305	3,804,710
Amortization of Insurance acquisition cash flows	345,689	-	-	-	345,689
Changes that relate to future service: loss & reversal of onerous loss contracts	-	36,390	-	-	36,390
Changes that relate to past service: changes related to LIC	-	-	(118,607)	(37,244)	(155,851)
Insurance service expense	345,689	(5,712)	3,701,900	(10,939)	4,030,938
Insurance service result	(3,974,547)	(5,712)	3,701,900	(10,939)	(289,298)
Net finance expense from insurance contract	-	-	36,458	2,863	39,321
Total changes in statement of profit or loss	(3,974,547)	(5,712)	3,738,358	(8,076)	(249,977)
Cash flows					
Premium received	4,134,977	-	-	-	4,134,977
Claims and other expenses paid including investment component	-	-	(3,763,536)	-	(3,763,536)
Acquisition cash flows paid	(375,380)	-	-	-	(375,380)
Total cash flows	3,759,597	-	(3,763,536)	-	(3,939)
Net closing balance	698,986	79,650	1,072,560	40,284	1,891,480
Closing insurance contract assets	(250,175)	111	133,019	6,828	(110,217)
Closing insurance contract liabilities	949,161	79,539	939,541	33,456	2,001,697
Net Closing balance	698,986	79,650	1,072,560	40,284	1,891,480
	December 31, 2024 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
	Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment	
Opening insurance contract assets	(15,981)	997	9,409	283	(5,292)
Opening insurance contract liabilities	642,014	19,520	1,280,206	56,098	1,997,838
Net opening balance	626,033	20,517	1,289,615	56,381	1,992,546
Insurance revenue	(3,551,790)	-	-	-	(3,551,790)
Incurred claims and other directly attributable expenses	-	(20,517)	3,099,081	9,837	3,088,401
Amortization of Insurance acquisition cash flows	260,158	-	-	-	260,158
Changes that relate to future service: loss & reversal of onerous loss contracts	-	27,834	-	-	27,834
Changes that relate to past service: changes related to LIC	-	-	(184,236)	(21,256)	(205,492)
Insurance service expense	260,158	7,317	2,914,845	(11,419)	3,170,901
Insurance service result	(3,291,632)	7,317	2,914,845	(11,419)	(380,889)
Net finance expense from insurance contract	-	-	24,287	3,398	27,685
Total changes in statement of profit or loss	(3,291,632)	7,317	2,939,132	(8,021)	(353,204)
Cash flows					
Premium received	3,421,781	-	-	-	3,421,781
Claims and other expenses paid including investment component	-	-	(3,143,667)	-	(3,143,667)
Acquisition cash flows paid	(260,812)	-	-	-	(260,812)
Total cash flows	3,160,969	-	(3,143,667)	-	17,302
Net closing balance	495,370	27,834	1,085,080	48,360	1,656,644
Closing insurance contract assets	(10,404)	3,532	3,430	576	(2,866)
Closing insurance contract liabilities	505,774	24,302	1,081,650	47,784	1,659,510
Net Closing balance	495,370	27,834	1,085,080	48,360	1,656,644

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.1.1 Analysis by remaining coverage and incurred claims for insurance contracts - Health

Health - PAA	December 31, 2025 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract assets - acquired	-	-	-	-	-
Opening insurance contract liabilities	324,679	3,435	580,478	31,601	940,193
Opening insurance contract liabilities - acquired	19,677	4,948	(1,786)	-	22,839
Net opening balance	344,356	8,383	578,692	31,601	963,032
Insurance revenue	(3,247,280)	-	-	-	(3,247,280)
Incurred claims and other directly attributable expenses	-	(5,554)	3,024,426	19,901	3,038,773
Amortization of Insurance acquisition cash flows	198,528	-	-	-	198,528
Changes that relate to future service: loss & reversal of onerous loss contracts	-	8,471	-	-	8,471
Changes that relate to past service: changes related to LIC	-	-	(28,862)	(29,836)	(58,698)
Insurance service expense	198,528	2,917	2,995,564	(9,935)	3,187,074
Insurance service result	(3,048,752)	2,917	2,995,564	(9,935)	(60,206)
Net finance expense from insurance contract	-	-	28,044	1,903	29,947
Total changes in statement of profit or loss	(3,048,752)	2,917	3,023,608	(8,032)	(30,259)
Cash flows					
Premium received	3,059,602	-	-	-	3,059,602
Claims and other expenses paid including investment component	-	-	(2,981,864)	-	(2,981,864)
Acquisition cash flows paid	(207,302)	-	-	-	(207,302)
Total cash flows	2,852,300	-	(2,981,864)	-	(129,564)
Net closing balance	147,904	11,300	620,436	23,569	803,209
Closing insurance contract assets	(243,250)	-	127,733	6,541	(108,976)
Closing insurance contract liabilities	391,154	11,300	492,703	17,028	912,185
Net Closing balance	147,904	11,300	620,436	23,569	803,209

Health - PAA	December 31, 2024 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	424,992	-	610,032	33,994	1,069,018
Net opening balance	424,992	-	610,032	33,994	1,069,018
Insurance revenue	(2,829,240)	-	-	-	(2,829,240)
Incurred claims and other directly attributable expenses	-	-	2,540,780	3,330	2,544,110
Amortization of Insurance acquisition cash flows	160,467	-	-	-	160,467
Changes that relate to future service: loss & reversal of onerous loss contracts	-	3,435	-	-	3,435
Changes that relate to past service: changes related to LIC	-	-	116,632	(7,788)	108,844
Insurance service expense	160,467	3,435	2,657,412	(4,458)	2,816,856
Insurance service result	(2,668,773)	3,435	2,657,412	(4,458)	(12,384)
Net finance expense from insurance contract	-	-	8,786	2,065	10,851
Total changes in statement of profit or loss	(2,668,773)	3,435	2,666,198	(2,393)	(1,533)
Cash flows					
Premium received	2,748,453	-	-	-	2,748,453
Claims and other expenses paid including investment component	-	-	(2,695,752)	-	(2,695,752)
Acquisition cash flows paid	(179,993)	-	-	-	(179,993)
Total cash flows	2,568,460	-	(2,695,752)	-	(127,292)
Net closing balance	324,679	3,435	580,478	31,601	940,193
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	324,679	3,435	580,478	31,601	940,193
Net Closing balance	324,679	3,435	580,478	31,601	940,193

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.1.2 Analysis by remaining coverage and incurred claims for insurance contracts - Motor

Motor - PAA	December 31, 2025 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	(10,404)	3,532	3,430	576	(2,866)
Opening insurance contract assets - acquired	-	-	-	-	-
Opening insurance contract liabilities	142,323	20,867	44,301	4,564	212,055
Opening insurance contract liabilities - acquired	344,540	52,400	13,582	-	410,522
Net opening balance	476,459	76,799	61,313	5,140	619,711
Insurance revenue	(744,962)	-	-	-	(744,962)
Incurred claims and other directly attributable expenses	-	(36,513)	658,256	3,211	624,954
Amortization of Insurance acquisition cash flows	108,963	-	-	-	108,963
Changes that relate to future service: loss & reversal of onerous loss contracts	-	27,834	-	-	27,834
Changes that relate to past service: changes related to LIC	-	-	16,095	(2,934)	13,161
Insurance service expense	108,963	(8,679)	674,351	277	774,912
Insurance service result	(635,999)	(8,679)	674,351	277	29,950
Net finance expense from insurance contract	-	-	1,409	311	1,720
Total changes in statement of profit or loss	(635,999)	(8,679)	675,760	588	31,670
Cash flows					
Premium received	728,516	-	-	-	728,516
Claims and other expenses paid including investment component	-	-	(683,348)	-	(683,348)
Acquisition cash flows paid	(126,398)	-	-	-	(126,398)
Total cash flows	602,118	-	(683,348)	-	(81,230)
Net closing balance	442,578	68,120	53,725	5,728	570,151
Closing insurance contract assets	(6,925)	111	5,286	287	(1,241)
Closing insurance contract liabilities	449,503	68,009	48,439	5,441	571,392
Net Closing balance	442,578	68,120	53,725	5,728	570,151

Motor - PAA	December 31, 2024 (Audited)				
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		Total
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	105,309	5,454	103,237	7,563	221,563
Net opening balance	105,309	5,454	103,237	7,563	221,563
Insurance revenue	(377,071)	-	-	-	(377,071)
Incurred claims and other directly attributable expenses	-	(5,454)	342,571	1,501	338,618
Amortization of Insurance acquisition cash flows	62,114	-	-	-	62,114
Changes that relate to future service: loss & reversal of onerous loss contracts	-	24,399	-	-	24,399
Changes that relate to past service: changes related to LIC	-	-	(41,121)	(4,377)	(45,498)
Insurance service expense	62,114	18,945	301,450	(2,876)	379,633
Insurance service result	(314,957)	18,945	301,450	(2,876)	2,562
Net finance expense from insurance contract	-	-	2,301	453	2,754
Total changes in statement of profit or loss	(314,957)	18,945	303,751	(2,423)	5,316
Cash flows					
Premium received	379,028	-	-	-	379,028
Claims and other expenses paid including investment component	-	-	(359,257)	-	(359,257)
Acquisition cash flows paid	(37,461)	-	-	-	(37,461)
Total cash flows	341,567	-	(359,257)	-	(17,690)
Net closing balance	131,919	24,399	47,731	5,140	209,189
Closing insurance contract assets	(10,404)	3,532	3,430	576	(2,866)
Closing insurance contract liabilities	142,323	20,867	44,301	4,564	212,055
Net Closing balance	131,919	24,399	47,731	5,140	209,189

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.1.3 Analysis by remaining coverage and incurred claims for insurance contracts - Property and casualty

Property and casualty - PAA	December 31, 2025 (Audited)				Total
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract assets - acquired	-	-	-	-	-
Opening insurance contract liabilities	38,772	-	456,871	11,619	507,262
Opening insurance contract liabilities - acquired	54,349	180	862	-	55,391
Net opening balance	93,121	180	457,733	11,619	562,653
Insurance revenue	(327,994)	-	-	-	(327,994)
Incurred claims and other directly attributable expenses	-	(35)	137,825	3,193	140,983
Amortization of Insurance acquisition cash flows	38,198	-	-	-	38,198
Changes that relate to future service: loss & reversal of onerous loss contracts	-	85	-	-	85
Changes that relate to past service: changes related to LIC	-	-	(105,840)	(4,474)	(110,314)
Insurance service expense	38,198	50	31,985	(1,281)	68,952
Insurance service result	(289,796)	50	31,985	(1,281)	(259,042)
Net finance expense from insurance contract	-	-	7,005	649	7,654
Total changes in statement of profit or loss	(289,796)	50	38,990	(632)	(251,388)
Cash flows					
Premium received	346,859	-	-	-	346,859
Claims and other expenses paid including investment component	-	-	(98,324)	-	(98,324)
Acquisition cash flows paid	(41,680)	-	-	-	(41,680)
Total cash flows	305,179	-	(98,324)	-	206,855
Net closing balance	108,504	230	398,399	10,987	518,120
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	108,504	230	398,399	10,987	518,120
Net Closing balance	108,504	230	398,399	10,987	518,120

Property and casualty - PAA	December 31, 2024 (Audited)				Total
	SAR'000				
	Liability for remaining coverage (LRC)		Liability for incurred claim (LIC)		
Excluding loss component	Loss component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening insurance contract assets	(15,981)	997	9,409	283	(5,292)
Opening insurance contract liabilities	111,713	14,066	566,937	14,541	707,257
Net opening balance	95,732	15,063	576,346	14,824	701,965
Insurance revenue	(345,479)	-	-	-	(345,479)
Incurred claims and other directly attributable expenses	-	(15,063)	215,730	5,006	205,673
Amortization of Insurance acquisition cash flows	37,577	-	-	-	37,577
Changes that relate to future service: loss & reversal of onerous loss contracts	-	-	-	-	-
Changes that relate to past service: changes related to LIC	-	-	(259,747)	(9,091)	(268,838)
Insurance service expense	37,577	(15,063)	(44,017)	(4,085)	(25,588)
Insurance service result	(307,902)	(15,063)	(44,017)	(4,085)	(371,067)
Net finance expense from insurance contract	-	-	13,200	880	14,080
Total changes in statement of profit or loss	(307,902)	(15,063)	(30,817)	(3,205)	(356,987)
Cash flows					
Premium received	294,300	-	-	-	294,300
Claims and other expenses paid including investment component	-	-	(88,658)	-	(88,658)
Acquisition cash flows paid	(43,358)	-	-	-	(43,358)
Total cash flows	250,942	-	(88,658)	-	162,284
Net closing balance	38,772	-	456,871	11,619	507,262
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	38,772	-	456,871	11,619	507,262
Net Closing balance	38,772	-	456,871	11,619	507,262

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

All portfolios / segments under PAA	December 31, 2025 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	(150,512)	-	557,512	9,030	416,030
Opening reinsurance contract assets - acquired	12,523	-	19,777	-	32,300
Opening reinsurance contract liabilities	(20,396)	-	9,496	148	(10,752)
Opening reinsurance contract liabilities - acquired	(953)	-	(5,386)	-	(6,339)
Net opening balance	(159,338)	-	581,399	9,178	431,239
Reinsurance expense	(233,134)	-	-	-	(233,134)
Acquisition expenses	701	-	-	-	701
Incurred Claims recovered	-	-	66,722	1,610	68,332
Changes that relate to past service: Changes related to AIC	-	-	(72,463)	(2,115)	(74,578)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	15	-	15
Net income / (expenses) from reinsurance contracts held	(232,433)	-	(5,726)	(505)	(238,664)
Other - items attributable to the comprehensive income	-	-	-	-	-
Net Finance income from reinsurance contracts held	-	-	5,329	510	5,839
Total changes in statement of profit or loss	(232,433)	-	(397)	5	(232,825)
Cash flows					
Premium paid	230,452	-	-	-	230,452
Recoveries from reinsurance	-	-	(81,581)	-	(81,581)
Total cash flows	230,452	-	(81,581)	-	148,871
Net closing balance	(161,319)	-	499,421	9,183	347,285
Closing reinsurance contract assets	(131,907)	-	501,417	9,115	378,625
Closing reinsurance contract liabilities	(29,412)	-	(1,996)	68	(31,340)
Net Closing balance	(161,319)	-	499,421	9,183	347,285
	December 31, 2024 (Audited)				
	SAR'000				
All portfolios / segments under PAA	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
	Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment	
Opening reinsurance contract assets	(89,554)	316	767,636	14,089	692,487
Opening reinsurance contract liabilities	(195,314)	23	117,941	1,207	(76,143)
Net opening balance	(284,868)	339	885,577	15,296	616,344
Reinsurance expense	(257,260)	-	-	-	(257,260)
Acquisition expenses	1,025	-	-	-	1,025
Incurred Claims recovered	-	-	272,943	3,132	276,075
Changes that relate to past service: Changes related to AIC	-	-	(370,419)	(10,170)	(380,589)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(339)	-	-	(339)
Effect of changes in the risk of reinsurers non-performance	-	-	11	-	11
Net income (expenses) from reinsurance contracts held	(256,235)	(339)	(97,465)	(7,038)	(361,077)
Other - items attributable to the comprehensive income	-	-	-	-	-
Net finance expense/income from insurance contract	-	-	22,176	920	23,096
Total changes in statement of profit or loss	(256,235)	(339)	(75,289)	(6,118)	(337,981)
Cash flows					
Premium paid	370,195	-	-	-	370,195
Recoveries from reinsurance	-	-	(243,280)	-	(243,280)
Total cash flows	370,195	-	(243,280)	-	126,915
Net closing balance	(170,908)	-	567,008	9,178	405,278
Closing reinsurance contract assets	(150,512)	-	557,512	9,030	416,030
Closing reinsurance contract liabilities	(20,396)	-	9,496	148	(10,752)
Net Closing balance	(170,908)	-	567,008	9,178	405,278

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.2.1 Analysis by remaining coverage and incurred claims for reinsurance contracts - Health

Health - PAA	December 31, 2025 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	-	-	15,629	34	15,663
Opening reinsurance contract assets - acquired	-	-	-	-	-
Opening reinsurance contract liabilities	-	-	-	-	-
Opening reinsurance contract liabilities - acquired	(953)	-	(5,386)	-	(6,339)
Net opening balance	(953)	-	10,243	34	9,324
Reinsurance expense	(317)	-	-	-	(317)
Acquisition expenses	-	-	-	-	-
Incurred Claims recovered	-	-	1,491	51	1,542
Changes that relate to past service: Changes related to AIC	-	-	(1,028)	(34)	(1,062)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	8	-	8
Net income / (expenses) from reinsurance contracts held	(317)	-	471	17	171
Other - items attributable to the comprehensive income	-	-	-	-	-
Net Finance income from reinsurance contracts held	-	-	1	2	3
Total changes in statement of profit or loss	(317)	-	472	19	174
Cash flows					
Premium paid	(10,272)	-	-	-	(10,272)
Recoveries from reinsurance	-	-	(6,899)	-	(6,899)
Total cash flows	(10,272)	-	(6,899)	-	(17,171)
Net closing balance	(11,542)	-	3,816	53	(7,673)
Closing reinsurance contract assets	-	-	9,308	-	9,308
Closing reinsurance contract liabilities	(11,542)	-	(5,492)	53	(16,981)
Net Closing balance	(11,542)	-	3,816	53	(7,673)

Health - PAA	December 31, 2024 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	(97,837)	-	218,654	1,875	122,692
Opening reinsurance contract liabilities	-	-	-	-	-
Net opening balance	(97,837)	-	218,654	1,875	122,692
Reinsurance expense	(7,040)	-	-	-	(7,040)
Acquisition expenses	(1,555)	-	-	-	(1,555)
Incurred Claims recovered	-	-	-	32	32
Changes that relate to past service: Changes related to AIC	-	-	(26,955)	(1,986)	(28,941)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	(2)	-	(2)
Net income (expenses) from reinsurance contracts held	(8,595)	-	(26,957)	(1,954)	(37,506)
Other - items attributable to the comprehensive income	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	4,405	113	4,518
Total changes in statement of profit or loss	(8,595)	-	(22,552)	(1,841)	(32,988)
Cash flows					
Premium paid	106,432	-	-	-	106,432
Recoveries from reinsurance	-	-	(180,473)	-	(180,473)
Total cash flows	106,432	-	(180,473)	-	(74,041)
Net closing balance	-	-	15,629	34	15,663
Closing reinsurance contract assets	-	-	15,629	34	15,663
Closing reinsurance contract liabilities	-	-	-	-	-
Net Closing balance	-	-	15,629	34	15,663

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.2.2 Analysis by remaining coverage and incurred claims for reinsurance contracts - Motor

Motor - PAA	December 31, 2025 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	(679)	-	82,489	93	81,903
Opening reinsurance contract assets - acquired	4,781	-	(1,909)	-	2,872
Opening reinsurance contract liabilities	-	-	-	-	-
Opening reinsurance contract liabilities - acquired	-	-	-	-	-
Net opening balance	4,102	-	80,580	93	84,775
Reinsurance expense	(7,541)	-	-	-	(7,541)
Acquisition expenses	(5)	-	-	-	(5)
Incurred Claims recovered	-	-	59	2	61
Changes that relate to past service: Changes related to AIC	-	-	768	119	887
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	9	-	9
Net income / (expenses) from reinsurance contracts held	(7,546)	-	836	121	(6,589)
Other - items attributable to the comprehensive income	-	-	-	-	-
Net Finance income from reinsurance contracts held	-	-	563	5	568
Total changes in statement of profit or loss	(7,546)	-	1,399	126	(6,021)
Cash flows					
Premium paid	5,248	-	-	-	5,248
Recoveries from reinsurance	-	-	(39,830)	-	(39,830)
Total cash flows	5,248	-	(39,830)	-	(34,582)
Net closing balance	1,804	-	42,149	219	44,172
Closing reinsurance contract assets	1,804	-	42,149	219	44,172
Closing reinsurance contract liabilities	-	-	-	-	-
Net Closing balance	1,804	-	42,149	219	44,172

Motor - PAA	December 31, 2024 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	-	-	-	-	-
Opening reinsurance contract liabilities	(167,887)	23	112,172	1,148	(54,544)
Net opening balance	(167,887)	23	112,172	1,148	(54,544)
Reinsurance expense	(8,797)	-	-	-	(8,797)
Acquisition expenses	115	-	-	-	115
Incurred Claims recovered	-	-	-	61	61
Changes that relate to past service: Changes related to AIC	-	-	4,224	(1,186)	3,038
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(23)	-	-	(23)
Effect of changes in the risk of reinsurers non-performance	-	-	4	-	4
Net income (expenses) from reinsurance contracts held	(8,682)	(23)	4,228	(1,125)	(5,602)
Other - items attributable to the comprehensive income	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	146	70	216
Total changes in statement of profit or loss	(8,682)	(23)	4,374	(1,055)	(5,386)
Cash flows					
Premium paid	175,890	-	-	-	175,890
Recoveries from reinsurance	-	-	(34,057)	-	(34,057)
Total cash flows	175,890	-	(34,057)	-	141,833
Net closing balance	(679)	-	82,489	93	81,903
Closing reinsurance contract assets	(679)	-	82,489	93	81,903
Closing reinsurance contract liabilities	-	-	-	-	-
Net Closing balance	(679)	-	82,489	93	81,903

6 INSURANCE AND REINSURANCE CONTRACTS (Continued)

6.2.3 Analysis by remaining coverage and incurred claims for reinsurance contracts - Property and casualty

Property and casualty - PAA	December 31, 2025 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	(149,833)	-	459,394	8,903	318,464
Opening reinsurance contract assets - acquired	7,742	-	21,686	-	29,428
Opening reinsurance contract liabilities	(20,396)	-	9,496	148	(10,752)
Opening reinsurance contract liabilities - acquired	-	-	-	-	-
Net opening balance	(162,487)	-	490,576	9,051	337,140
Reinsurance expense	(225,276)	-	-	-	(225,276)
Acquisition Expenses	706	-	-	-	706
Incurred Claims recovered	-	-	65,172	1,557	66,729
Changes that relate to past service: Changes related to AIC	-	-	(72,203)	(2,200)	(74,403)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	(2)	-	(2)
Net income / (expenses) from reinsurance contracts held	(224,570)	-	(7,033)	(643)	(232,246)
Other - items attributable to the comprehensive income	-	-	-	-	-
Net Finance income from reinsurance contracts held	-	-	4,765	503	5,268
Total changes in statement of profit or loss	(224,570)	-	(2,268)	(140)	(226,978)
Cash flows					
Premium paid	235,476	-	-	-	235,476
Recoveries from reinsurance	-	-	(34,852)	-	(34,852)
Total cash flows	235,476	-	(34,852)	-	200,624
Net closing balance	(151,581)	-	453,456	8,911	310,786
Closing reinsurance contract assets	(133,711)	-	449,960	8,896	325,145
Closing reinsurance contract liabilities	(17,870)	-	3,496	15	(14,359)
Net Closing balance	(151,581)	-	453,456	8,911	310,786

Property and casualty - PAA	December 31, 2024 (Audited)				
	SAR'000				
	Asset for remaining coverage (ARC)		Asset for incurred claim (AIC)		Total
Excluding loss component	Loss recovery component	Estimates of the present values of future cashflows	Risk Adjustment		
Opening reinsurance contract assets	8,283	316	548,982	12,214	569,795
Opening reinsurance contract liabilities	(27,427)	-	5,769	59	(21,599)
Net opening balance	(19,144)	316	554,751	12,273	548,196
Reinsurance expense	(241,423)	-	-	-	(241,423)
Acquisition Expenses	2,465	-	-	-	2,465
Incurred Claims recovered	-	-	272,943	3,039	275,982
Changes that relate to past service: Changes related to AIC	-	-	(347,688)	(6,998)	(354,686)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(316)	-	-	(316)
Effect of changes in the risk of reinsurers non-performance	-	-	9	-	9
Net income (expenses) from reinsurance contracts held	(238,958)	(316)	(74,736)	(3,959)	(317,969)
Other - items attributable to the comprehensive income	-	-	-	-	-
Finance income from reinsurance contracts held	-	-	17,625	737	18,362
Total changes in statement of profit or loss	(238,958)	(316)	(57,111)	(3,222)	(299,607)
Cash flows					
Premium paid	87,873	-	-	-	87,873
Recoveries from reinsurance	-	-	(28,750)	-	(28,750)
Total cash flows	87,873	-	(28,750)	-	59,123
Net closing balance	(170,229)	-	468,890	9,051	307,712
Closing reinsurance contract assets	(149,833)	-	459,394	8,903	318,464
Closing reinsurance contract liabilities	(20,396)	-	9,496	148	(10,752)
Net Closing balance	(170,229)	-	468,890	9,051	307,712

7 CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
Cash and bank balances	156,851	150,117
Deposits maturing within 3 months from the acquisition date	-	-
Deposit against letter of guarantee	104,652	95,481
	261,503	245,598
	Shareholders' operations	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
Cash and bank balances	60,019	131,975
Deposits maturing within 3 months from the acquisition date	159,058	108,494
	219,077	240,469
Cash and cash equivalent	480,580	486,067

Cash at banks are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's rating methodologies.

Deposits maturing within 3 months are placed with the local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 5.45% per annum (December 31, 2024: 5.81% per annum).

The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's customers (also see note 25). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (these are restricted in nature).

8 SHORT TERM DEPOSITS

Short term deposits are placed with counterparties that have credit ratings equivalent to Aa3 ratings under Standard and Poor's, Fitch and Moody's rating methodologies.

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 6% per annum (December 31, 2024: 5.81% per annum).

	Insurance operations	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
At the beginning of the year	-	-
Placed during the year	-	-
Acquired during the year	85,500	-
Matured during the year	-	-
	85,500	-
	Shareholders' operations	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
At the beginning of the year	29,445	233,267
Placed during the year	54,876	-
Acquired during the year	100,000	-
Matured during the year	(29,445)	(203,822)
At the end of the year	154,876	29,445
	240,376	29,445

9 PREPAYMENTS AND OTHER ASSETS, NET

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
Security deposits and advances	33,241	21,006
Advances to employees	8,377	6,990
Value added tax (VAT)	156,132	114,052
Accrued interest	39,208	28,281
Prepaid expenses	593	2,120
Other receivables	12,905	23,749
	250,456	196,198

10 RIGHT OF USE ASSETS - NET

Following are the details of right-of-use assets recognised and the movements during the year:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
<u>Cost:</u>		
At the beginning of the year	55,919	55,919
Acquired through business combination	3,023	-
Additions during the year	26,165	-
At the end of the year	85,107	55,919
<u>Accumulated depreciation:</u>		
At the beginning of the year	54,342	45,332
Acquired through business combination	1,859	-
Charge for the year	9,857	9,010
At the end of the year	66,058	54,342
<u>Net book value:</u>		
At the end of the year	19,049	1,577

11 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment					Intangible Assets		
	Shareholders' Operations	Insurance Operations				Total	Computer software	Total
	Land	Leasehold improvements	Office equipment, furniture and fixtures	Computers	Motor vehicles			
SAR '000								
Cost:								
Balance at January 1, 2025	-	44,385	45,855	50,045	3,784	144,069	54,095	198,164
Acquired through business combination	-	1,292	2,413	9,306	44	13,055	16,199	29,254
Additions during the year	-	1,022	1,457	13,289	-	15,768	16,491	32,259
Disposals during the year	-	-	-	-	(498)	(498)	-	(498)
Adjustment during the year	-	-	(35,606)	(19,830)	(1,283)	(56,719)	-	(56,719)
Balance at December 31, 2025	-	46,699	14,119	52,810	2,047	115,675	86,785	202,460
Accumulated depreciation:								
Balance at January 1, 2025	-	43,481	41,332	38,189	2,752	125,754	43,002	168,756
Acquired through business combination	-	777	1,691	7,731	44	10,243	7,489	17,732
Charge for the year	-	516	1,296	6,487	264	8,563	8,405	16,968
Disposals during the year	-	-	-	-	(498)	(498)	-	(498)
Adjustment during the year	-	-	(35,606)	(19,830)	(1,283)	(56,719)	-	(56,719)
Balance at December 31, 2025	-	44,774	8,713	32,577	1,279	87,343	58,896	146,239
Net book value as at December 31, 2025	-	1,925	5,406	20,233	768	28,332	27,889	56,221

	Property and Equipment					Intangible Assets		
	Shareholders' Operations	Insurance Operations				Total	Computer software	Total
	Land	Leasehold improvements	Office equipment, furniture and fixtures	Computers	Motor vehicles			
SAR '000								
Cost:								
Balance at January 1, 2024	30,000	44,385	45,613	46,945	2,760	169,703	53,703	223,406
Additions during the year	-	-	242	3,100	1,024	4,366	392	4,758
Disposals during the year	(30,000)	-	-	-	-	(30,000)	-	(30,000)
Balance at December 31, 2024	-	44,385	45,855	50,045	3,784	144,069	54,095	198,164
Accumulated depreciation:								
Balance at January 1, 2024	-	42,971	40,008	32,782	2,672	118,433	35,235	153,668
Charge for the year	-	510	1,324	5,407	80	7,321	7,767	15,088
Balance at December 31, 2024	-	43,481	41,332	38,189	2,752	125,754	43,002	168,756
Net book value as at December 31, 2024	-	904	4,523	11,856	1,032	18,315	11,093	29,408

12 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of :

- an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 10,195 thousands (a 25% equity interest) (December 31, 2024: SAR 9,901 thousands), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.
- an equity investment in Gulf Warranties for Insurance Services amounting to SAR 598 thousands (a 40% equity interest), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. During the year, the Company completed a merger with Buruj Cooperative Insurance Company, resulting in the recognition of an additional investment in an associate previously held by the acquired entity.

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
At the beginning of the year	9,901	12,160
Acquired through business combination	588	-
Dividend received from investment in an associate	(1,250)	(1,750)
Share of profit / (loss) from associate	1,553	(286)
Share of other comprehensive loss from associate	-	(223)
At the end of the year	<u>10,792</u>	<u>9,901</u>

13 FINANCIAL INVESTMENTS

Financial investments are classified as set out below:

Notes	Shareholders' operations		Insurance operations		Total	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000		SAR'000		SAR'000	
Financial assets at fair value through other comprehensive income	163,635	79,273	-	-	163,635	79,273
Financial assets at fair value through profit & loss	1,119,796	972,571	24,991	-	1,144,787	972,571
	<u>1,283,431</u>	<u>1,051,844</u>	<u>24,991</u>	<u>-</u>	<u>1,308,422</u>	<u>1,051,844</u>

13 a) Financial assets at fair value through other comprehensive income

Type of investments	Shareholders' operations		Insurance operations		Total	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000		SAR'000		SAR'000	
-Equity - unquoted	163,635	79,273	-	-	163,635	79,273
	<u>163,635</u>	<u>79,273</u>	<u>-</u>	<u>-</u>	<u>163,635</u>	<u>79,273</u>

The movements during the period / year in financial assets at fair value through other comprehensive income is as follows:

	Shareholders' operations		Insurance operations		Total	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000		SAR'000		SAR'000	
Fair value at beginning of the year	79,273	46,489	-	-	79,273	46,489
Acquired through business combination	63,667	-	-	-	63,667	-
Purchase during the year	-	15,114	-	-	-	15,114
Net change in fair values	20,695	17,670	-	-	20,695	17,670
Fair value at end of the year	<u>163,635</u>	<u>79,273</u>	<u>-</u>	<u>-</u>	<u>163,635</u>	<u>79,273</u>

The Company has classified equity investment in Najm IO health and TachyHealth as fair value through other comprehensive income being strategic investment which is long term in nature and the Company does not intend to sell / liquidate these investments.

The fair value of Najm is based on the independent valuation report dated January 2026. The independent valuer was appointed by the Najm.

13 INVESTMENTS (Continued)

13 b) Financial assets at fair value through profit & loss - restated

Type of investments
-Equity
-Mutual fund
-Sukuks quoted- domestic
-Sukuks quoted- international

Shareholders' operations		Insurance operations		Total	
December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
SAR'000		SAR'000		SAR'000	
195,465	180,287	-	-	195,465	180,287
242,774	171,024	24,991	-	267,765	171,024
670,409	571,249	-	-	670,409	571,249
11,148	50,011	-	-	11,148	50,011
1,119,796	972,571	24,991	-	1,144,787	972,571

The movements during the period / year in financial assets at fair value through profit & loss were as follows:

Fair value at beginning of the period / year
Acquired through business combination
Purchase during the period / year
Sold during the period / year
Change in fair values
Fair value at end of the period / year

Shareholders' operations		Insurance operations		Total	
December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
SAR'000		SAR'000		SAR'000	
972,571	845,515	-	-	972,571	845,515
144,750	-	24,985	-	169,735	-
179,555	142,098	-	-	179,555	142,098
(154,122)	(12,186)	-	-	(154,122)	(12,186)
(22,958)	(2,856)	6	-	(22,952)	(2,856)
1,119,796	972,571	24,991	-	1,144,787	972,571

In the financial statements for the year ended December 31, 2024, all Sukuk instruments were correctly measured at fair value through profit or loss (FVTPL). However, these instruments were inadvertently disclosed under amortized cost. This classification has been corrected in the current period, and the comparative disclosure has been restated and reclassified accordingly. There was no impact on the statement of financial position, statement of income, or statement of cash flows.

13 c) Determination of fair value and fair value hierarchy

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 the financial statements.

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 the lowest level input that is significant to the fair value measurement is unobservable).

During the period ended 31 December 2025, there were transfers between Level 1 and Level 2 fair value measurements. 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:

December 31, 2025

Equity - unquoted
Sukuks quoted- domestic
Sukuks quoted- international
Equity - quoted
Mutual fund
Total

Level 1	Level 2	Level 3*	Total
SAR'000			
-	-	163,635	163,635
249,635	420,774	-	670,409
-	11,148	-	11,148
195,465	-	-	195,465
51,819	159,152	56,794	267,765
496,919	591,074	220,429	1,308,422

December 31, 2024

Equity - unquoted
Sukuks quoted- domestic
Sukuks quoted- international
Equity - quoted
Mutual fund
Total

Level 1	Level 2	Level 3	Total
SAR'000			
-	-	79,273	79,273
571,249	-	-	571,249
50,011	-	-	50,011
180,287	-	-	180,287
26,918	144,106	-	171,024
828,465	144,106	79,273	1,051,844

* Equities representing Najm and mutual funds classified as Level 3 are fair value estimates determined using valuation techniques such as discounted cash flows, based on approved projections and adjusted for the latest available NAV where applicable. Key assumptions used, such as discount rate and terminal growth rate, are not observable. Significant unobservable inputs are Fair value of future operating cash flows.

14 STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia, the Company maintains a statutory deposit at 13.57% (December 31, 2024: 15%). This statutory deposit cannot be withdrawn without the consent of Insurance Authority. During the period ended December 31, 2025, the statutory deposit is currently maintained at 13.57% of the paid up capital, amounting to SR 187.5 million (December 31, 2024: SR 157.5 million). The statutory deposit is placed at the commission rate of 5.4% per annum (December 31, 2024: 5% per annum).

15 GOODWILL

The Company held an ordinary general assembly meeting on December 22, 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C (closed) ("Portfolio") effective January 1, 2009. The acquisition resulted in a goodwill of SR 480 million.

On 01/05/1447H (corresponding to 23 October 2025G), the Company's Extraordinary General Meeting approved the purchase of Buruj Cooperative Insurance Company by increasing of the Company's share capital from SAR 1,050,000,000 to SAR 1,381,578,940, representing an increase of 31.58%, through the issuance of 33,157,894 ordinary shares at an exchange ratio of 1.105263 shares in Medgulf for each share in Buruj. The Acquisition resulted in a goodwill of SR 243.4 million.

The recoverable amounts were assessed as at December 31, 2025 based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of this operating division. The assessment for goodwill impairment was based on a detailed five-year business plan, utilizing cash flow projections covering a five-year period, with a terminal growth rate of 2% applied thereafter. The forecasted cash flows were discounted at a rate of 16.3%. Additionally, an assessment was conducted using the 'Share Price' and 'Market' approach based on the trading activity of the Company's stock.

The aforementioned assessment was carried out by a consultant appointed by the Company. According to management's assessment supported by the external valuation, there was no indication of impairment.

16 ACCRUED COMMISSION ON STATUTORY DEPOSIT

The accrued commission on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 3,511 thousands (December 31, 2024: SAR 11,726 thousands). During the year, commission amounting to SAR 18,570 thousands was paid to the Insurance Authority on 28 August 2025.

17 ZAKAT AND INCOME TAX**a) Movement in the provision for zakat and income tax during the year**

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

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
At the beginning of the year	9,810	8,961
Acquired during the period	13,136	-
Charge - current year	7,735	8,232
Reversal for the current year	(6,619)	-
Payments during the year	(16,327)	(7,383)
At the end of the year	7,735	9,810
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Net Profit	42,976	98,806
Additions to the Zakat Base:	2,117,815	1,496,910
Deductions from the Zakat Base	(1,862,395)	(1,343,574)
Zakat Base	255,420	118,452
Zakat charge	5,434	3,062
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Accounting profit / (loss)	42,976	107,038
Allowances for tax purpose only	(26,691)	(41,339)
Disallowances for tax purpose only	59,489	47,923
Tax Base	11,507	25,849
Tax charge	2,301	5,170

The provision for zakat and income tax for the period is SR 7,735 thousands (December 31, 2024: SR 8,232 thousands).

b) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the periods up to December 31, 2024 with the Zakat, Tax and Customs Authority

17 ZAKAT AND INCOME TAX (Continued)

c) Deferred tax asset

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Opening deferred tax asset	10,474	7,286
Origination of temporary differences	(893)	3,188
Closing deferred tax asset	9,581	10,474

This deferred tax arises on the following temporary differences:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
End of service indemnities	(44,524)	(35,273)
Expected credit loss (ECL)	(164,081)	(116,749)
Accumulated depreciation	(89,767)	(137,401)
Fair value reserve	79,707	59,231
Net taxable temporary difference	(218,665)	(230,192)
Deferred tax asset	9,581	10,474

18 LEASE LIABILITY

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Liability		
At the beginning of the year	2,080	10,878
Acquired through business combination	1,209	
Additions for the year	26,165	-
Finance cost	1,126	148
At end of the year	30,580	11,026
Payments		
Paid during the year	(10,493)	(8,946)
At the end of the year	20,087	2,080
Lease liability is detailed by as follows:		
Less than one year	1,895	937
One to five years	18,192	1,143
Lease liabilities - net	20,087	2,080

19 SHARE OF SURPLUS FROM INSURANCE POOLS

a) Hajj and umrah

This principally 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 Company for Cooperative Insurance (Tawuniya) 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 as at December 31, 2025 as the aforementioned arrangement has been discontinued.

The Company's share of income in the Hajj and Umrah for the year ended December 31, 2025 is nil (December 31, 2024: SAR 1.761 million).

b) Rights and entitlements of non-saudi employees in private sector entities insurance

This represents the Company's share of surplus 7.4813% (2024: Nil) in the Employers' Delinquency Insurance Pool product. The Company along with eighteen other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with Al-Etihad Cooperative Insurance Company, effective from 3 November 2024. This compulsory product covers default of entities in paying the rights and entitlements of non-Saudi employees in private sector entities offered by the "Ministry of Human Resources and Social Development" through IA.

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

The Company's share of income in this pool for the year ended December 31, 2025 is SAR 4.1 million (December 31, 2024: Nil).

20 END OF SERVICE INDEMNITIES

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

- 20.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Present value of defined benefit obligation	44,524	35,273
	44,524	35,273

- 20.2 Movement of defined benefit obligation is as follows:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Opening balance	35,273	24,403
Charge to statement of income—insurance operations	8,281	11,235
(Reversal) / Charge to statement of comprehensive income – insurance operations	1,201	8,217
Acquired through merger	5,515	
Payment of benefits during the year	(5,746)	(8,582)
Closing balance	44,524	35,273

- 20.3 Reconciliation of present value of defined benefit obligation

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Present value of defined benefit obligation as at January 1	35,273	24,403
Current service costs	6,473	6,504
Past service costs	-	3,652
Financial costs	1,808	1,079
Actuarial loss / (gain) from experience adjustments	1,201	8,217
Acquired through merger	5,515	-
Benefits paid during the year	(5,746)	(8,582)
Present value of defined benefit obligation as at December 31	44,524	35,273

- 20.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
Valuation discount rate	4.75%	5.10%
Short term salary increase rate (1 year)	1.00%	4.00%
Long term salary increase rate	3.00%	5.60%

- 20.5 Sensitivity analysis of actuarial assumptions

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Valuation discount rate		
-Increase by 1%	657	(1,245)
-Decrease by 1%	-3.99%	-4.00%
	4,357	4,184
	4.34%	4.34%
Expected rate of increase in salary level across different age bands		
-Increase by 1%	4,616	4,354
-Decrease by 1%	4.82%	4.82%
	384	1,060
	-4.52%	-4.52%

21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

21.a The following are the details of major related party transactions during the period and their balances at the end of the period:

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)
SAR'000					
<u>Shareholders with significant influence</u>					
	Insurance premium written	4,356	4,370	-	-
	Claims paid / (adjustment)	2,538	98	-	-
	Statutory deposit (i)	-	-	160,580	169,226
	Outstanding claims	2,527	1,889	-	-
	Net balance receivable / (payable)	-	-	6,635	(368)
<u>Associates</u>					
	Claims management fee	2,175	1,123	-	(23)
<u>Entities controlled, jointly controlled by related parties</u>					
	Insurance premium written	5,464	8	-	-
	Claims settled to medical services provider and other entities	3,251	-	-	-
	Outstanding claims	2,947	-	-	-
	Other services	3,748	-	-	-
	Net balance receivable / (payable)	-	-	11,231	-

i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 5.44% (December 31, 2024: 5%) per annum.

21.b Compensation of key management personnel

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the period ended December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	BOD members (Non-Executive)	Top Executives including the CEO and CFO	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR'000		SAR'000	
Salaries and compensation	-	7,468	-	8,215
Allowances	897	2,374	449	1,929
Annual remuneration	4,536	1,717	3,169	2,899
End of service indemnities	-	2,350	-	4,810
	5,433	13,909	3,618	17,853

22 INSURANCE REVENUE AND EXPENSES

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

Insurance revenue

Contracts not measured under the PAA

Amounts relating to the changes in the LRC:

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Expected incurred claims and other expenses after loss component allocation	-	-
Experience adjustments (premium and acquisition costs not through CSM)	-	-
Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	-	-
CSM recognised in profit or loss for the services provided	-	-
Insurance acquisition cash flows recovery	-	-
Insurance revenue from contracts not measured under the PAA	-	-
Insurance revenue from contracts measured under the PAA	4,320,236	3,551,790
Total insurance revenue	4,320,236	3,551,790

Insurance service expense

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Incurred claims and other directly attributable expenses	(3,804,710)	(3,088,401)
Changes that relate to past service: changes related to LIC	155,851	205,492
Changes that relate to future service: loss & reversal of onerous loss contracts	(36,390)	(27,834)
Amortization of Insurance acquisition cash flows	(345,689)	(260,158)
Total insurance service expenses	(4,030,938)	(3,170,901)

Net expense from reinsurance contracts held

	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR '000	
Reinsurance income / (expenses) - contracts not measured under the PAA	-	-
Amounts relating to changes in the remaining coverage:	-	-
Expected claims and other expenses recovery	-	-
Changes in the risk adjustment recognised for the risk expired	-	-
CSM recognised for the services received	-	-
Reinsurance expenses - contracts not measured under the PAA	-	-
Reinsurance expenses - contracts measured under the PAA	(233,134)	(257,260)
Other incurred directly attributable expenses	701	1,025
Income on initial recognition of onerous underlying contracts	-	-
Incurred claims recovered	68,332	276,075
Movement in loss recovery component adjustment to reinsurance ARC	-	(339)
Effects of changes in the risk of reinsurers' non-performance	15	11
Changes that relate to past service: Changes related to AIC	(74,578)	(380,589)
Total net expenses from reinsurance contracts held under PAA	(238,664)	(361,077)
Total insurance service result	50,634	19,812

23 NET INSURANCE FINANCE INCOME / (EXPENSES)

An analysis of the net insurance finance expenses is presented below:

	For the year ended December 31, 2025 (Audited)			
	Medical	Motor	Property & casualty	Total
	SAR '000			
Finance expenses from insurance contracts issued				
Interest accreted	(26,389)	(1,439)	(6,841)	(34,669)
Effect of changes in interest rates and other financial assumptions	(3,558)	(281)	(813)	(4,652)
Finance expenses from insurance contracts issued	(29,947)	(1,720)	(7,654)	(39,321)
Finance income from reinsurance contracts held				
Interest accreted	3	466	4,694	5,163
Effect of changes in interest rates and other financial assumptions	-	102	574	676
Finance income from reinsurance contracts held	3	568	5,268	5,839
Net insurance finance income / (expenses)	(29,944)	(1,152)	(2,386)	(33,482)
- recognized in statement of income	(29,944)	(1,152)	(2,386)	(33,482)
- recognized in other comprehensive income	-	-	-	-
	For the year ended December 31, 2024 (Audited)			
	Medical	Motor	Property & casualty	Total
	SAR '000			
Finance expenses from insurance contracts issued				
Interest accreted	(10,920)	(2,715)	(14,369)	(28,004)
Effect of changes in interest rates and other financial assumptions	69	(39)	289	319
Finance expenses from insurance contracts issued	(10,851)	(2,754)	(14,080)	(27,685)
Finance income from reinsurance contracts held				
Interest accreted	4,645	237	18,305	23,187
Effect of changes in interest rates and other financial assumptions	(127)	(21)	57	(91)
Finance income from reinsurance contracts held	4,518	216	18,362	23,096
Net insurance finance income / (expenses)	(6,333)	(2,538)	4,282	(4,589)
- recognized in statement of income	(6,333)	(2,538)	4,282	(4,589)
- recognized in other comprehensive income	-	-	-	-

24 SHARE CAPITAL AND EARNING PER SHARE

a) Share capital

The authorized and paid up share capital of the Company is SAR 1,381.57 million (December 31, 2024: SAR 1,050 million) divided into 138.157 million shares of SAR 10 each.

On 01/05/1447H (corresponding to 23 October 2025G), the Company's Extraordinary General Meeting approved the increase of the Company's share capital from SAR 1,050,000,000 to SAR 1,381,578,940, representing an increase of 31.58%, through the issuance of 33,157,894 ordinary shares at an exchange ratio of 1.105263 shares in Medgulf for each share in Buruj to the Buruj's existing shareholders. The new shares were listed and deposited into the accounts of Buruj shareholders on 06 May 1447H (corresponding to 28 October 2025G).

b) Earnings per share

Earnings per share has been calculated by dividing the net earnings / (loss) for the year by the weighted average number of shares outstanding as of the reporting date.

	For the year ended	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
Net income for the year (SAR '000)	41,063	101,994
Weighted average number of ordinary shares ('000)	138,158	105,000
Earnings per share (SAR / Share)	0.30	0.97

25 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. 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.

b) Contingencies and capital commitments

As at December 31, 2025, the Company's banker has issued letters of guarantee of SAR 104,652 thousands (December 31, 2024: SAR 95,481 thousands) to various customers as per the terms of the agreements with them. The Company had no capital commitments as at period ended December 31, 2025 (December 31, 2024: nil).

c) Contingent liability

The Company is subject to certain operationally related litigations. Based on the internal legal counsel, the Company does not believe that the outcome of these court cases will have a material impact on the Company's income or financial position.

26 OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as set out below.

Segment results do not include allocation of other income, dividend income, other operating expenses, impairment loss, to operating segments as these are reported and monitored on an overall basis.

Segment assets do not include allocation of cash and cash equivalents, time deposits, investments, prepayments and other assets, intangible assets, statutory deposit and property and equipment as these are reported and monitored on a total basis.

Segment liabilities do not include allocation of accrued expenses and other liabilities, account and commission payable, zakat and tax and commissions payable to Insurance Authority (IA).

	For the year ended December 31, 2025 (Audited)			
	Medical	Motor	Property & casualty	Total
	SAR'000			
Gross premiums written				
- Large enterprise	2,486,152	113,786	207,148	2,807,086
- Medium enterprise	475,950	26,269	41,831	544,050
- Small enterprise	224,556	18,175	32,674	275,405
- Micro enterprise	196,419	16,595	9,555	222,569
- Individual	22,570	467,860	10,904	501,334
	3,405,647	642,685	302,112	4,350,444
	For the year ended December 31, 2024 (Audited)			
	Medical	Motor	Property & casualty	Total
	SAR'000			
Gross premiums written				
- Large enterprise	2,012,127	41,266	254,553	2,307,946
- Medium enterprise	567,909	12,246	55,766	635,921
- Small enterprise	208,727	12,698	24,737	246,162
- Micro enterprise	100,111	15,976	3,369	119,456
- Individual	12,008	404,818	4,835	421,661
	2,900,882	487,004	343,260	3,731,146

26 OPERATING SEGMENTS (continued)

Operating segments	As at December 31, 2025 (Audited)					
	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
SAR'000						
Assets						
Insurance contract assets	108,976	1,241	-	110,217	-	110,217
Reinsurance contract assets	9,308	44,172	325,145	378,625	-	378,625
Unallocated assets	-	-	-	1,661,718	1,628,235	3,289,953
Total assets	118,284	45,413	325,145	2,150,560	1,628,235	3,778,795
Liabilities						
Insurance contract liabilities	912,185	571,392	518,120	2,001,697	-	2,001,697
Reinsurance contract liabilities	16,981	-	14,359	31,340	-	31,340
Unallocated liabilities	-	-	-	140,088	12,801	152,889
Total liabilities	929,166	571,392	532,479	2,173,125	12,801	2,185,926
As at December 31, 2024 (Audited)						
Operating segments	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
SAR'000						
Assets						
Insurance contract assets	-	2,866	-	2,866	-	2,866
Reinsurance contract assets	15,663	81,903	318,464	416,030	-	416,030
Unallocated assets	-	-	-	1,387,472	1,076,668	2,464,140
Total assets	15,663	84,769	318,464	1,806,368	1,076,668	2,883,036
Liabilities						
Insurance contract liabilities	940,193	212,055	507,262	1,659,510	-	1,659,510
Reinsurance contract liabilities	-	-	10,752	10,752	-	10,752
Unallocated liabilities	-	-	-	157,470	26,660	184,130
Total liabilities	940,193	212,055	518,014	1,827,732	26,660	1,854,392

26 OPERATING SEGMENTS (continued)

Operating segments	For the year ended December 31, 2025 (Audited)					
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Insurance revenue	3,247,280	744,962	327,994	4,320,236	-	4,320,236
Insurance service expense	(3,187,074)	(774,912)	(68,952)	(4,030,938)	-	(4,030,938)
Net (expense) / income from reinsurance contract held	171	(6,589)	(232,246)	(238,664)	-	(238,664)
Share of surplus from insurance pools	-	-	4,143	4,143	-	4,143
Insurance service result	60,377	(36,539)	30,939	54,777	-	54,777
Special commission income	-	-	-	2,324	49,502	51,826
Investment loss on financial assets at fair value	-	-	-	-	(22,958)	(22,958)
Dividend income	-	-	-	499	9,770	10,269
Net investment income	-	-	-	2,823	36,314	39,137
Insurance finance expenses for insurance contracts issued	(29,947)	(1,720)	(7,654)	(39,321)	-	(39,321)
Reinsurance finance income for reinsurance contracts held	3	568	5,268	5,839	-	5,839
Net insurance finance (expense) / income	(29,944)	(1,152)	(2,386)	(33,482)	-	(33,482)
Net insurance and financial result	30,433	(37,691)	28,553	24,118	36,314	60,432
Other (expense) / income	-	-	-	(11,448)	6,593	(4,855)
Share of income / (loss) from associate	-	-	-	-	1,553	1,553
Shareholders' general and administrative expenses	-	-	-	-	(12,791)	(12,791)
Total other operating (expense) / income	-	-	-	(11,448)	(4,645)	(16,093)
Income / (Loss) Attributed To The Shareholders Before Zakat And Income Tax	30,433	(37,691)	28,553	12,670	31,669	44,339
Zakat and income tax expense	-	-	-	-	(1,116)	(1,116)
Deferred tax	-	-	-	-	(893)	(893)
Income / (Loss) Attributed To The Shareholders After Zakat And Income Tax	30,433	(37,691)	28,553	12,670	29,660	42,330

Operating segments	For the year ended December 31, 2024 (Audited)					
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Insurance revenue	2,829,240	377,071	345,479	3,551,790	-	3,551,790
Insurance service expense	(2,816,856)	(379,633)	25,588	(3,170,901)	-	(3,170,901)
Net (expense) / income from reinsurance contract held	(37,506)	(5,602)	(317,969)	(361,077)	-	(361,077)
Share of surplus from insurance pools	-	-	5,582	5,582	-	5,582
Insurance service result	(25,122)	(8,164)	58,680	25,394	-	25,394
Special commission income	-	-	-	-	49,053	49,053
Investment income on financial assets at fair value	-	-	-	-	(2,856)	(2,856)
Dividend income	-	-	-	-	18,612	18,612
Net investment income	-	-	-	-	64,809	64,809
Insurance finance income for insurance contracts issued	(10,851)	(2,754)	(14,080)	(27,685)	-	(27,685)
Reinsurance finance expense for reinsurance contracts held	4,518	216	18,362	23,096	-	23,096
Net insurance finance (expense) / income	(6,333)	(2,538)	4,282	(4,589)	-	(4,589)
Net insurance and financial result	(31,455)	(10,702)	62,962	20,805	64,809	85,614
Other (loss) / income	-	-	-	9,400	22,187	31,587
Share of income / (loss) from associate	-	-	-	-	(286)	(286)
Shareholders' general and administrative expenses	-	-	-	-	(6,857)	(6,857)
Total other operating (expense) / income	-	-	-	9,400	15,044	24,444
Income / (Loss) Attributed To The Shareholders Before Zakat And Income Tax	(31,455)	(10,702)	62,962	30,205	79,853	110,058
Zakat and income tax expense	-	-	-	-	(8,232)	(8,232)
Deferred tax	-	-	-	-	3,188	3,188
Income / (Loss) Attributed To The Shareholders After Zakat And Income Tax	(31,455)	(10,702)	62,962	30,205	74,809	105,014

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27 Other (expenses) / income

	Shareholders' operations		Insurance operations		Total	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000		SAR'000		SAR'000	
Other income						
Disposal of land	-	22,187	-	-	-	22,187
Others	6,593	-	3,689	21,283	10,282	21,283
	6,593	22,187	3,689	21,283	10,282	43,470
Other expenses						
End of service indemnities	-	-	8,801	11,234	8,801	11,234
VAT charges	-	-	3,969	274	3,969	274
Others	-	-	2,367	375	2,367	375
	-	-	15,137	11,883	15,137	11,883
Net other (expenses) / income	6,593	22,187	(11,448)	9,400	(4,855)	31,587

27.1 Shareholders general and administrative expenses consists of BoD committees fee amounting to SAR 5.2 million (December 31, 2024: SAR 3.6 million) and expenses related to merger amounting to SAR 4.6 million (December 31, 2024: SAR 1.9 million).

27.2 Insurance acquisition cash flows amortisation consists of policy acquisition cost amounting to SAR 347.8 million (December 31, 2024: SAR 278.3 million). Other directly attributable expenses relate to expenses incurred in the fulfilment of the insurance contract amounting to SAR 329.6 million (December 31, 2024: SAR 288.8 million).

27.3 Auditors' remuneration for the statutory audit of the Company's annual financial statements for the year ended December 31, 2025 amounts to SAR 980 thousands (December 31, 2024: SAR 906 thousands). Auditors' remuneration for the review of the Company's financial information during the year ended December 31, 2025 amounts to SAR 390 thousands (December 31, 2024: SAR 636 thousands). Fee for other statutory and related services provided by the auditors amounts to SAR 135 thousands (December 31, 2024: SAR 60 thousands).

	Total	
	December 31, 2025 (Audited)	December 31, 2024 (Audited)
	SAR'000	
Annual audit - Mazars	480	306
Annual audit - PKF	500	-
Annual audit - Crowe	-	600
Quarterly reviews - Mazars	180	336
Quarterly reviews - PKF	210	-
Quarterly reviews - Crowe	-	300
Related party certification - Mazars	15	10
Accumulated losses certification - Mazars	-	15
Surplus distribution certification - Mazars	30	25
Compilation engagement for pro-forma financial information (Merger) - Mazars	80	-
Other	10	8
	1,505	1,600

28 CAPITAL MANAGEMENT

Objectives are set by 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 amount 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) previously known as SAMA 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 of SAR 200 million
- Premium solvency margin
- Claims solvency margin

The Company uses Premium Method for determining its solvency requirements. The Company's net admissible assets as of December 31, 2025 are 104.28% (December 31, 2024: 71%) of the required minimum margin for solvency. Further, the Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as of December 31, 2025 consists of paid-up share capital of SAR 1,381.58 million, share premium of SAR 242.09 million, statutory reserves of SAR 26.1 million and accumulated losses of SAR 114.07 million (December 31, 2024: paid-up share capital of SAR 1,050 million, share premium of SAR 70 million, statutory reserves of SAR 26.1 million and accumulated losses of SAR 155.1 million) in the statement of financial position.

29 RISK MANAGEMENT

Risk management covers mainly the followings:

- Insurance risks
- Financial risks

29.1 Insurance risks

For non-life insurance contracts, the most significant risks arise from climate changes, natural disasters and manmade accidents. For longer tail claims that take some years to settle, there is also inflation risk.

For life insurance contracts, the main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Furthermore, 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, 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.

Reinsurance risks

The Company purchases reinsurance as part of its risk mitigation program. Reinsurance held (outward reinsurance) is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Retention limits for non-proportional excess-of-loss reinsurance vary by product line.

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

29 RISK MANAGEMENT (CONTINUED)

29.1 Insurance risks (Continued)

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.

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 table shows 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
SAR '000'						
Medical	(803,209)	(7,673)	(810,882)	(940,193)	15,663	(924,530)
Motor	(570,151)	44,172	(525,979)	(209,189)	81,903	(127,286)
Property and casualty	(518,120)	310,786	(207,334)	(507,262)	307,712	(199,550)
Total	(1,891,480)	347,285	(1,544,195)	(1,656,644)	405,278	(1,251,366)

Sensitivities on major assumptions considered while applying IFRS 17

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss before tax and equity for reasonably possible movements in key assumptions with all other assumptions in notes 2 and 3 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 did not change from the previous year.

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

	December 31, 2025			December 31, 2024		
	Insurance contract liabilities	Impact on profit/(loss) before zakat and tax	Impact on equity	Insurance contract liabilities	Impact on profit/(loss) before zakat and tax	Impact on equity
SAR '000'						
Insurance contract liabilities	1,891,480	-	-	1,656,644	-	-
Non-acquisition expense fully paid increase by 5'	(216)	(14,022)	(14,022)	1,497	(15,467)	(15,467)
Non-acquisition expense decrease by 5%	216	14,022	14,022	(1,497)	15,467	15,467
10-y yield curve shift up by 2pp	(9,917)	9,917	9,917	(10,414)	10,414	10,414
10-y yield curve shift down by 2pp	9,917	(9,917)	(9,917)	10,414	(10,414)	(10,414)
Loss best estimate reserve increase by 6%	(106,129)	106,129	106,129	87,058	(87,058)	(87,058)
Loss best estimate reserve decrease by 6%	106,129	(106,129)	(106,129)	(87,058)	87,058	87,058

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

	December 31, 2025			December 31, 2024		
	Insurance contract liabilities	Impact on profit/(loss) before zakat and tax	Impact on equity	Insurance contract liabilities	Impact on profit/(loss) before zakat and tax	Impact on equity
SAR '000'						
Insurance contract liabilities	1,891,480	-	-	1,656,644	-	-
Reinsurance contract assets	347,285	-	-	405,278	-	-
Net insurance contract liabilities	1,544,195	-	-	1,251,366	-	-
Non-acquisition expense increase by 5%	(216)	(14,022)	(14,022)	1,497	(15,467)	(15,467)
Non-acquisition expense decrease by 5%	216	14,022	14,022	(1,497)	15,467	15,467
10-y yield curve shift up by 2pp	(8,445)	8,445	8,445	(1,726)	1,726	1,726
10-y yield curve shift down by 2pp	8,445	(8,445)	(8,445)	1,726	(1,726)	(1,726)
Net loss best estimate reserve increase by 6%	85,018	(85,018)	(85,018)	109,732	(109,732)	(109,732)
Net loss best estimate reserve decrease by 6%	(85,018)	85,018	85,018	(109,732)	109,732	109,732

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29 RISK MANAGEMENT (CONTINUED)

29.1 Insurance risks (Continued)

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 the 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.

2025

Accident year	2020 & earlier	2021	2022	2023	2024	2025	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	25,442,196	2,137,292	2,499,232	2,773,400	3,108,394	3,056,071	3,056,071
1 year later	26,280,038	2,093,460	2,466,955	2,730,876	3,065,668	-	3,065,668
2 years later	26,486,945	2,077,115	2,478,406	2,697,993	-	-	2,697,993
3 years later	26,416,244	2,072,494	2,463,022	-	-	-	2,463,022
4 years later	26,416,967	2,065,312	-	-	-	-	2,065,312
5 years later	26,285,538	-	-	-	-	-	26,285,538
Gross estimates of the undiscounted amount of the claims	26,285,538	2,065,312	2,463,022	2,697,993	3,065,668	3,056,071	39,633,604
Cumulative gross claims and other directly attributable expenses paid	26,162,852	2,019,619	2,423,635	2,596,608	2,884,147	2,481,556	38,568,417
Gross undiscounted liabilities for incurred claims	122,686	45,693	39,387	101,385	181,521	574,515	1,065,187
Effect of discounting	-	-	-	-	-	45,321	45,321
Gross discounted liabilities for incurred claims excluding risk adjustment	122,686	45,693	39,387	101,385	181,521	529,194	1,019,866
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	-	40,284	40,284
Gross liabilities for incurred claims	122,686	45,693	39,387	101,385	181,521	569,478	1,060,150

2025

Accident year	2020 & earlier	2021	2022	2023	2024	2025	Total
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	22,218,933	1,543,709	2,198,560	2,462,752	2,958,415	2,786,871	2,786,871
1 year later	22,890,855	1,537,007	2,215,787	2,563,295	2,985,278	-	2,985,278
2 years later	23,165,024	1,534,996	2,234,053	2,544,184	-	-	2,544,184
3 years later	23,204,348	1,530,991	2,222,491	-	-	-	2,222,491
4 years later	23,218,888	1,527,437	-	-	-	-	1,527,437
5 years later	23,215,615	-	-	-	-	-	23,215,615
Net estimates of the undiscounted amount of the claims	23,215,615	1,527,437	2,222,491	2,544,184	2,985,278	2,786,871	35,281,876
Cumulative Net claims and other directly attributable expenses paid	23,208,979	1,524,465	2,205,510	2,492,656	2,840,396	2,449,699	34,721,705
Net undiscounted liabilities for incurred claims	6,636	2,972	16,981	51,528	144,882	337,172	560,171
Effect of discounting	-	-	-	-	-	31,855	31,855
Net discounted liabilities for incurred claims excluding risk adjustment	6,636	2,972	16,981	51,528	144,882	305,317	528,316
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	-	31,101	31,101
Net liabilities for incurred claims	6,636	2,972	16,981	51,528	144,882	336,418	559,417

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

29 RISK MANAGEMENT (CONTINUED)

29.1 Insurance risks (Continued)

Claims development table (Continued)

2024

Accident year	2019 & earlier	2020	2021	2022	2023	2024	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	23,486,450	1,955,746	2,137,292	2,499,232	2,773,400	2,749,257	35,601,377
1 year later	24,494,652	1,785,386	2,093,460	2,466,955	2,730,876	-	33,571,329
2 years later	24,755,739	1,731,206	2,077,115	2,478,406	-	-	31,042,466
3 years later	24,687,222	1,729,022	2,072,494	-	-	-	28,488,738
4 years later	24,694,735	1,722,232	-	-	-	-	26,416,967
5 years later	24,560,353	-	-	-	-	-	24,560,353
Gross estimates of the undiscounted amount of the claims	24,560,353	1,722,232	2,072,494	2,478,406	2,730,876	2,749,257	36,313,618
Cumulative gross claims and other directly attributable expenses paid	24,502,965	1,664,121	2,039,851	2,414,134	2,528,805	2,038,195	35,188,071
Gross undiscounted liabilities for incurred claims	57,388	58,111	32,643	64,272	202,071	711,062	1,125,547
Effect of discounting	-	-	-	-	-	40,467	40,467
Gross discounted liabilities for incurred claims excluding risk adjustment	57,388	58,111	32,643	64,272	202,071	670,595	1,085,080
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	-	48,360	48,360
Gross liabilities for incurred claims	57,388	58,111	32,643	64,272	202,071	718,955	1,133,440

2024

Accident year	2019 & earlier	2020	2021	2022	2023	2024	Total
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	20,999,672	1,219,261	1,543,709	2,198,560	2,462,752	2,392,163	30,816,117
1 year later	21,748,555	1,142,300	1,537,007	2,215,787	2,563,295	-	29,206,944
2 years later	22,030,269	1,134,754	1,534,996	2,234,053	-	-	26,934,072
3 years later	22,067,945	1,136,403	1,530,991	-	-	-	24,735,339
4 years later	22,085,305	1,133,584	-	-	-	-	23,218,889
5 years later	22,083,261	-	-	-	-	-	22,083,261
Net estimates of the undiscounted amount of the claims	22,083,261	1,133,584	1,530,991	2,234,053	2,563,295	2,392,163	31,937,347
Cumulative Net claims and other directly attributable expenses paid	22,079,415	1,129,819	1,528,891	2,190,653	2,427,374	2,029,283	31,385,435
Net undiscounted liabilities for incurred claims	3,846	3,765	2,100	43,400	135,921	362,880	551,912
Effect of discounting	-	-	-	-	-	33,840	33,840
Net discounted liabilities for incurred claims excluding risk adjustment	3,846	3,765	2,100	43,400	135,921	329,040	518,072
Effect of the risk adjustment margin for non-financial risk	-	-	-	-	-	39,182	39,182
Net liabilities for incurred claims	3,846	3,765	2,100	43,400	135,921	368,222	557,254

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

29 RISK MANAGEMENT (CONTINUED)

29.2 Financial risks

Financial risk comprises of the followings:

- Liquidity risk
- Market risk
- Operational risk
- Credit risk

These risks have been briefly explained below:

a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial 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 following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- The Company's liquidity risk policy 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's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis):

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.

	December 31, 2025						Total
	Up to 1 year	1 -2 years	2 - 3 years	3 - 4 years	4 -5 years	>5 years	
	SAR'000						
Insurance contract liabilities							
Medical	322,896	160,312	24,247	2,269	2	5	509,731
Motor	30,905	15,030	3,943	1,686	1,276	1,040	53,880
Property and casualty	315,801	48,973	26,944	14,001	3,172	495	409,386
Reinsurance contract liabilities							
Medical	(5,439)	-	-	-	-	-	(5,439)
Motor	-	-	-	-	-	-	-
Property and casualty	3,444	29	19	10	8	1	3,511
Total	667,607	224,344	55,153	17,966	4,458	1,541	971,069
	December 31, 2024						
	Up to 1 year	1 -2 years	2 - 3 years	3 - 4 years	4 -5 years	>5 years	Total
	SAR'000						
Insurance contract liabilities							
Medical	361,442	229,421	20,601	571	-	44	612,079
Motor	32,785	4,719	4,890	4,498	1,691	282	48,865
Property and casualty	408,798	45,573	10,315	1,674	289	1,841	468,490
Reinsurance contract liabilities							
Medical	-	-	-	-	-	-	-
Motor	-	-	-	-	-	-	-
Property and casualty	(9,287)	(305)	(52)	-	-	-	(9,644)
Total	793,738	279,408	35,754	6,743	1,980	2,167	1,119,790

Maturity analysis for financial assets (contractual undiscounted cash flow basis):

The following table summarizes the maturity profile of financial assets of the Company based on the remaining undiscounted contractual cash flows, including interest receivable:

	December 31, 2025							Total
	Up to 1 year	1 -2 years	2 - 3 years	3 - 4 years	4 -5 years	>5 years	No Maturity	
	SAR'000							
Cash and cash equivalents`	480,580	-	-	-	-	-	-	480,580
Short term deposits	240,376	-	-	-	-	-	-	240,376
Prepayment and other assets, net	250,456	-	-	-	-	-	-	250,456
Financial investments	86,479	75,581	60,836	87,568	277,444	103,905	616,609	1,308,422
Right of use assets, net	-	19,049	-	-	-	-	-	19,049
Property and equipment, net	-	28,332	-	-	-	-	-	28,332
Intangible assets, net	-	-	27,889	-	-	-	-	27,889
Statutory deposit	-	-	-	-	-	-	187,500	187,500
Investment in an associate	-	-	-	-	-	-	10,792	10,792
Accrued commission on statutory deposit	-	3,511	-	-	-	-	-	3,511
Total	1,057,891	126,473	88,725	87,568	277,444	103,905	814,901	2,556,907
	December 31, 2024							
	Up to 1 year	1 -2 years	2 - 3 years	3 - 4 years	4 -5 years	>5 years	No Maturity	Total
	SAR'000							
Cash and cash equivalents`	486,067	-	-	-	-	-	-	486,067
Short term deposits	29,445	-	-	-	-	-	-	29,445
Prepayment and other assets, net	196,350	-	-	-	-	-	-	196,350
Financial investments	201,377	104,873	114,386	37,840	58,531	172,260	362,578	1,051,845
Right of use assets, net	-	1,577	-	-	-	-	-	1,577
Property and equipment, net	-	18,315	-	-	-	-	-	18,315
Intangible assets, net	-	-	11,093	-	-	-	-	11,093
Statutory deposit	-	-	-	-	-	-	157,500	157,500
Investment in an associate	-	-	-	-	-	-	9,901	9,901
Accrued commission on statutory deposit	-	11,726	-	-	-	-	-	11,726
Total	913,239	136,491	125,479	37,840	58,531	172,260	529,979	1,973,819

29 RISK MANAGEMENT (CONTINUED)

29.2 Financial risks (Continued)

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, insurance contract issued, or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk (foreign exchange rates);
- Commission rate risk (market interest rates); and
- Price risk (market prices).

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, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

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 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.

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

i) Currency risk

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All transactions are in Saudi Arabian Riyals and US Dollar. Given the peg of Saudi Arabian Riyals and US Dollars, foreign exchange risk is minimal.

ii) Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments. Investments in term deposits and sukuk instruments have various maturities in order to maximise investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest-bearing securities using discounted cashflows as at December 31 are as follows:

	December 31, 2025			
	Less than 3 months	3 months to 1 year	more than 1 year	Total
	SAR'000			
Cash and cash equivalents	159,058	-	-	159,058
Short term deposits	-	240,376	-	240,376
Total	159,058	240,376	-	399,434
	December 31, 2024			
	Less than 3 months	3 months to 1 year	more than 1 year	Total
	SAR'000			
Cash and cash equivalents	108,494	-	-	108,494
Short term deposits	-	29,445	-	29,445
Total	108,494	29,445	-	137,939

29 RISK MANAGEMENT (CONTINUED)

29.2 Financial risks (Continued)

b) Market risk (Continued)

iii) Price risk

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 interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or 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.

Also, only the insurance contract liability portfolio of unit linked contracts with participating feature is exposed to price risk. However, this risk is offset by the underlying investment for unit linked contracts.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investment in financial assets on Company's profit would be as follows:

	Fair value change	Effect on Company's profit SAR'000
December 31, 2025	+ 10%	130,842
	- 10%	(130,842)
December 31, 2024	+ 10%	105,184
	- 10%	(105,184)

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on individual basis. It should be noted that movements in these variables are non- linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

c) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

d) 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.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the future premiums cashflow. The Company seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions.

The following table shows the maximum exposure to credit risk by class of financial asset:

	December 31, 2025	December 31, 2024
	SAR '000'	
Cash and cash equivalents	480,580	486,067
Short term deposits	240,376	29,445
Insurance contract assets	110,217	2,866
Reinsurance contract assets	378,625	416,030
Prepayment and other assets, net	250,456	196,198
Financial assets at amortised cost	-	-
Financial assets at fair value through other comprehensive income	-	-
Financial investments	1,308,422	1,051,844
Statutory deposit	187,500	157,500
Accrued commission on statutory deposit	3,511	11,726
	2,959,687	2,351,676

29 RISK MANAGEMENT (CONTINUED)

29.2 Financial risks (Continued)

d) Credit risk (Continued)

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 refers to companies with sound credit standing of AAA to BBB- (as per a reputable credit agency) and/or AAA to BAA3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	December 31, 2025			Total
	Investment grade	Non investment grade		
		Not impaired	Impaired	
SAR '000'				
Cash and cash equivalents	480,580	-	-	480,580
Short term deposits	240,376	-	-	240,376
Insurance contract assets	-	110,217	-	110,217
Reinsurance contract assets	378,625	-	-	378,625
Prepayment and other assets, net	-	250,456	-	250,456
Financial investments	1,308,422	-	-	1,308,422
Statutory deposit	187,500	-	-	187,500
Accrued commission on statutory deposit	3,511	-	-	3,511
Total	2,599,014	360,673	-	2,959,687

	December 31, 2024			Total
	Investment grade	Non investment grade		
		Not impaired	Impaired	
SAR '000'				
Cash and cash equivalents	486,067	-	-	486,067
Short term deposits	29,445	-	-	29,445
Insurance contract assets	-	2,866	-	2,866
Reinsurance contract assets	416,030	-	-	416,030
Prepayment and other assets, net	-	196,350	-	196,350
Financial investments	1,051,692	-	-	1,051,692
Statutory deposit	157,500	-	-	157,500
Accrued commission on statutory deposit	11,726	-	-	11,726
Total	2,152,460	199,216	-	2,351,676

30 SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION

	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	December 31, 2025 (Audited)			December 31, 2024 (Audited)		
	SAR '000					
ASSETS						
Cash and cash equivalents`	261,503	219,077	480,580	245,598	240,469	486,067
Short term deposits	85,500	154,876	240,376	-	29,445	29,445
Financial investments	24,991	1,283,431	1,308,422	-	1,051,844	1,051,844
Insurance contract assets	110,217	-	110,217	2,866	-	2,866
Reinsurance contract assets	378,625	-	378,625	416,030	-	416,030
Prepayment and other assets, net	210,004	40,452	250,456	157,801	38,397	196,198
Investment in an associate	-	10,792	10,792	-	9,901	9,901
Property and equipment, net	28,332	-	28,332	18,315	-	18,315
Intangible assets, net	27,889	-	27,889	11,093	-	11,093
Right of use assets, net	19,049	-	19,049	1,577	-	1,577
Statutory deposit	-	187,500	187,500	-	157,500	157,500
Deferred tax asset	-	9,581	9,581	-	10,474	10,474
Accrued commission on statutory deposit	-	3,511	3,511	-	11,726	11,726
Due from / to shareholders` / insurance operation	1,004,450	(1,004,450)	-	953,088	(953,088)	-
Goodwill	-	723,465	723,465	-	480,000	480,000
TOTAL ASSETS	2,150,560	1,628,235	3,778,795	1,806,368	1,076,668	2,883,036
LIABILITIES						
Accrued expenses and other liabilities	75,477	1,555	77,032	120,117	5,124	125,241
Insurance contract liabilities	2,001,697	-	2,001,697	1,659,510	-	1,659,510
Reinsurance contract liabilities	31,340	-	31,340	10,752	-	10,752
Lease liability	20,087	-	20,087	2,080	-	2,080
Zakat & income tax	-	7,735	7,735	-	9,810	9,810
End of service indemnities	44,524	-	44,524	35,273	-	35,273
Accrued commission on statutory deposit	-	3,511	3,511	-	11,726	11,726
TOTAL LIABILITIES	2,173,125	12,801	2,185,926	1,827,732	26,660	1,854,392
EQUITY						
Share capital	-	1,381,579	1,381,579	-	1,050,000	1,050,000
Share premium	-	242,089	242,089	-	70,000	70,000
Statutory reserve	-	26,135	26,135	-	26,135	26,135
Accumulated losses	-	(114,072)	(114,072)	-	(155,135)	(155,135)
Re-measurement of defined benefit liability – employees benefits	(22,565)	-	(22,565)	(21,364)	-	(21,364)
Fair values reserve on investments	-	79,703	79,703	-	59,008	59,008
TOTAL EQUITY	(22,565)	1,615,434	1,592,869	(21,364)	1,050,008	1,028,644
TOTAL LIABILITIES AND EQUITY	2,150,560	1,628,235	3,778,795	1,806,368	1,076,668	2,883,036

30 SUPPLEMENTARY INFORMATION (Continued)
STATEMENT OF INCOME

	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
	For the year ended December 31, 2025 (Audited)			For the year ended December 31, 2024 (Audited)		
	SAR'000					
Insurance revenue	4,320,236	-	4,320,236	3,551,790	-	3,551,790
Insurance service expense	(4,030,938)	-	(4,030,938)	(3,170,901)	-	(3,170,901)
Net income from reinsurance contract held	(238,664)	-	(238,664)	(361,077)	-	(361,077)
Share of surplus from insurance pools	4,143	-	4,143	5,582	-	5,582
Insurance service result	54,777	-	54,777	25,394	-	25,394
Special commission income	2,324	49,502	51,826	-	49,053	49,053
Investment loss on financial assets at fair value through profit or loss	-	(22,958)	(22,958)	-	(2,856)	(2,856)
Dividend income	499	9,770	10,269	-	18,612	18,612
Net Investment income	2,823	36,314	39,137	-	64,809	64,809
Insurance finance expenses for insurance contracts issued	(39,321)	-	(39,321)	(27,685)	-	(27,685)
Reinsurance finance income for reinsurance contracts held	5,839	-	5,839	23,096	-	23,096
Net insurance finance income / (expense)	(33,482)	-	(33,482)	(4,589)	-	(4,589)
Net insurance and financial result	24,118	36,314	60,432	20,805	64,809	85,614
Other (expense) / income	(11,448)	6,593	(4,855)	9,400	22,187	31,587
Share of income / (loss) from associate	-	1,553	1,553	-	(286)	(286)
Shareholders' general and administrative expenses	-	(12,791)	(12,791)	-	(6,857)	(6,857)
Total other operating income	(11,448)	(4,645)	(16,093)	9,400	15,044	24,444
Net income / (loss) for the year before appropriation and before zakat and income tax	12,670	31,669	44,339	30,205	79,853	110,058
Shareholders' appropriation from income / (loss)	(11,403)	11,403	-	(27,185)	27,185	-
Net income / (loss) for the year after appropriation and before zakat and income tax	1,267	43,072	44,339	3,020	107,038	110,058
Zakat and income tax expense	-	(1,116)	(1,116)	-	(8,232)	(8,232)
Deferred tax	-	(893)	(893)	-	3,188	3,188
Income for the year	1,267	41,063	42,330	3,020	101,994	105,014

STATEMENT OF COMPREHENSIVE INCOME

	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
	For the year ended December 31, 2025 (Audited)			For the year ended December 31, 2024 (Audited)		
	SAR'000					
Net profit for the year	1,267	41,063	42,330	3,020	101,994	105,014
Other comprehensive (loss) / income						
Item that will not be reclassified to statement of income in subsequent year						
-Re-measurement of employees end of service indemnities	(1,201)	-	(1,201)	(8,217)	-	(8,217)
-Net changes in fair value of investments measured at FVOCI – equity instruments	-	20,695	20,695	-	17,670	17,670
Items that are or may be reclassified to statement of income in subsequent years						
Share of other comprehensive loss of investment in equity accounted investments	-	-	-	-	(223)	(223)
Total comprehensive income / (loss)	(1,201)	20,695	19,494	(8,217)	17,447	9,230
Reconciliation:						
Less: Net income attributable to insurance operations and transferred to surplus distribution payable.	(1,267)	-	(1,267)	(3,020)	-	(3,020)
Total comprehensive income / (loss) for the year	(1,201)	61,758	60,557	(8,217)	119,441	111,224

30 SUPPLEMENTARY INFORMATION (Continued)
STATEMENT OF CASH FLOWS

	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
	For the year ended December 31, 2025 (Audited)			For the year ended December 31, 2024 (Audited)		
	SAR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit for the year before zakat and income tax	-	43,072	43,072	-	107,038	107,038
Adjustments for non-cash items:						
Depreciation and amortization	16,968	-	16,968	15,088	-	15,088
Depreciation on right of use assets	9,857	-	9,857	9,010	-	9,010
Financial charges on lease liability	1,126	-	1,126	148	-	148
Share of income from associate	-	(1,553)	(1,553)	-	286	286
Gain on disposal of land	-	-	-	-	(22,187)	(22,187)
Provision for end of service benefits	8,281	-	8,281	11,235	-	11,235
Investment income on financial assets at fair value	(6)	22,958	22,952	-	2,856	2,856
	36,226	64,477	100,703	35,481	87,993	123,474
Changes in operating assets and liabilities:						
Insurance contract assets	(80,634)	-	(80,634)	2,426	-	2,426
Reinsurance contract assets	93,043	-	93,043	276,457	-	276,457
Prepayment and other assets, net	180,944	2,247	183,191	(53,880)	(27,164)	(81,044)
Insurance contract liabilities	(177,229)	-	(177,229)	(338,328)	-	(338,328)
Reinsurance contract liabilities	(7,150)	-	(7,150)	(65,391)	-	(65,391)
Accrued expenses and other liabilities	(80,664)	(4,221)	(84,885)	46,789	(1,944)	44,845
Due from / to shareholders` / insurance operation	81,324	(81,324)	-	15,266	(15,266)	-
	45,860	(18,821)	27,039	(81,180)	43,619	(37,561)
Zakat and income tax paid	-	(16,327)	(16,327)	-	(7,383)	(7,383)
End-of-service benefits paid	(5,746)	-	(5,746)	(8,582)	-	(8,582)
Net cash (used in) / generated from operating activities	40,114	(35,148)	4,966	(89,762)	36,236	(53,526)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend from associate	-	1,250	1,250	-	1,750	1,750
Additions to investments carried at FVTPL	-	(179,555)	(179,555)	-	(142,104)	(142,104)
Additions to investments carried at FVTOCI	-	-	-	-	(15,114)	(15,114)
Proceeds from disposal of investments carried at FVTPL	-	154,122	154,122	-	12,186	12,186
Additions in property, equipment and intangible, net	(32,259)	-	(32,259)	(4,758)	-	(4,758)
Proceeds from disposal of land	-	-	-	-	52,187	52,187
(Placements in) / proceeds from short term deposits, net	(85,500)	(125,431)	(210,931)	-	203,822	203,822
Cash & cash equivalent acquired through business combination	104,043	163,370	267,413	-	-	-
Net cash generated from / (used in) investing activities	(13,716)	13,756	40	(4,758)	112,727	107,969
CASH FLOWS FROM FINANCING ACTIVITIES						
Lease liability	(10,493)	-	(10,493)	(8,946)	-	(8,946)
Net cash used in financing activities	(10,493)	-	(10,493)	(8,946)	-	(8,946)
Net change in cash and cash equivalents	15,905	(21,392)	(5,487)	(103,466)	148,963	45,497
Cash and cash equivalents, beginning of the period	245,598	240,469	486,067	349,064	91,506	440,570
Cash and cash equivalents, end of the period	261,503	219,077	480,580	245,598	240,469	486,067

31 COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

32 OTHER INFORMATION

- 32.1** The Company announced the signing of a non-binding Memorandum of Understanding (the "MOU") with Buruj Cooperative Insurance Company ("Buruj") on 21/01/1446H (corresponding to 27/07/2024G) to evaluate a potential merger between the two companies.

The Company announced the signing of a binding Memorandum of Understanding (the "MOU") with Buruj Cooperative Insurance Company ("Buruj") on 01/02/1447H (corresponding to 26/07/2025G) pursuant to which Buruj will be merged into Medgulf and all of Buruj's rights, liabilities, assets and contracts will be subsumed by Medgulf in exchange for Medgulf's issuance of 33,157,894 new ordinary shares with a nominal value of SAR 10 each in Medgulf to Buruj's shareholders pursuant to Article (225) and Articles (227) to (229) of the Companies Law, Article (49)(a)(1) of the Merger and Acquisition Regulations and in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, and in accordance with the conditions and provisions of the Merger Agreement (the "Merger").

The Insurance Authority and the Capital Market Authority granted their approvals for the merger and related capital increase on 15/03/1447H (corresponding to 07 September 2025G) and 30/03/1447H (corresponding to 22 September 2025G) respectively.

On 01/05/1447H (corresponding to 23 October 2025G), the Company's Extraordinary General Meeting approved the increase of the Company's share capital from SAR 1,050,000,000 to SAR 1,381,578,940, representing an increase of 31.58%, through the issuance of 33,157,894 ordinary shares at an exchange ratio of 1.105263 shares in Medgulf for each share in Buruj. The new shares were listed and deposited into the accounts of Buruj shareholders on 06 May 1447H (corresponding to 28 October 2025G).

The Company announced the effective date of the merger of Buruj into the Company on 08/05/1447H (corresponding to 30 October 2025G) after fulfilling the merger conditions agreed upon between the two companies in the merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the merger.

From the Merger's effective date, the rights, liabilities, assets, and contracts of Buruj have been transferred to the merging entity, and the merging entity is the legal successor of Buruj. The formalities to update the legal documents are under process.

- 32.2** In March 2026, geopolitical instability in the Middle East increased due to regional military actions. The Company has determined that these developments are non-adjusting events. While the Company's financial position remains unaffected at present, management continues to assess the potential for future impacts on its business.

33 APPROVAL OF THE FINANCIAL STATEMENTS

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