

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

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

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

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Independent Auditors' Report on the Audit of the Financial Statements

To the shareholders of Allied Cooperative Insurance Group (A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Allied Cooperative Insurance Group – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at 31 December 2025, and the related 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”) as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for opinion

We conducted our audit in accordance with 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.

Material uncertainty related to going concern

We draw attention to Note 2 (b) to the financial statements of the Company. As of 31 December 2025, the Company has posted a net comprehensive loss of SAR 30.9 million for the year ended 31 December 2025 (net comprehensive income of SAR 0.71 million for the year ended 31 December 2024). The Company did not meet the prudential solvency margin requirement and the Company’s accumulated losses stands at SAR 133.57 million as at 31 December 2025 (31 December 2024: SAR 92.38 million), representing 45.90% of the share capital (31 December 2024: 31.75%). These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. However, the accompanying financial statements are prepared using the going concern assumption based on management’s assessment of the Company’s abilities to continue as a going concern as detailed in the above referred note. Our opinion is not modified with respect to this matter.

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 as at 31 December 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Allied Cooperative Insurance Group
(A Saudi Joint Stock Company) (Continued)**

Key audit matters (Continued)

Key audit matter	How the matter was addressed in our audit
<p>Valuation of insurance contract liabilities under premium allocation approach ("PAA"):</p> <p>As at 31 December 2025, total insurance contract liabilities amount to SR 704.85 million, of which there are two components liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC").</p> <p>A key element of the valuation under the measurement approach is the present value of future cash flows ("PVFCFs") included in the LRC for contracts and the LIC for contracts measured under the PAA.</p> <p>The determination of the PVFCFs represents the Company's expectations regarding future cash flows that will arise as the Company fulfils insurance contracts and involves actuarial models and several assumptions made by management. Its accuracy is dependent on the input data being correct and requires management to apply significant judgements, make significant estimates and use actuarial models. The risk of error arises as a result of inappropriate choice of actuarial methodologies, techniques and assumptions. Management used an external actuary to assist them in the aforementioned determination.</p> <p>As a result of all the factors, we considered the valuation of PVFCFs included in LRC for contracts and the LIC for contracts measured under the PAA as a key audit matter due to the significant judgements applied and estimates made by management.</p> <p>Refer to notes 3 and 2(e) for accounting policy and significant accounting judgements, estimates and assumptions adopted by the Company and note 4 for the details of insurance contract liabilities.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Understood the control activities over the Company's process for determining insurance contract liabilities, and for certain control activities in relation to claim processing assessed whether they were appropriately designed and operating effectively through testing a sample of transactions; • Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence; • Performed substantive tests, on a sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation; • Assessed the integrity of data used as inputs and tested on sample basis, the accuracy of key underlying data utilised in estimating the insurance contract liabilities; • In addition, with the assistance of our actuarial specialists, we: <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,

**Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Allied Cooperative Insurance Group
(A Saudi Joint Stock Company) (Continued)**

Key audit matters (Continued)

Valuation of insurance contract liabilities under premium allocation approach ("PAA")	
Key audit matter	How the matter was addressed in our audit
<p><i>Refer to note 3 for the 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 4 for the movement in insurance contract liabilities.</i></p>	<ul style="list-style-type: none"> ○ lapse rates, risk adjustments and discount rates; and ○ Determined if the estimates applied in the current and prior year were consistent. ● Assessed the adequacy and appropriateness of disclosures made in the financial statements.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report. 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 ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Allied Cooperative Insurance Group
(A Saudi Joint Stock Company) (Continued)**

**Responsibilities of management and those charged with governance for the financial statements
(Continued)**

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 Company's 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.

**Independent Auditors' Report on the Audit of the Financial Statements
To the Shareholders of Allied Cooperative Insurance Group
(A Saudi Joint Stock Company) (Continued)**

Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.


Report on other legal and regulatory requirements

Based on the information made available to us during the course of our audit and as disclosed in Note 21 to the accompanying financial statements, the Company is not in compliance with the solvency margin requirements prescribed under Article 68 of the Implementation Regulations for Insurance Companies.


Furthermore, as disclosed in Note 15 to the accompanying financial statements, the Company does not meet the minimum capital requirement stipulated under Article 3(5) of the Cooperative Insurance Companies Control Law.

Our opinion on the accompanying financial statements is not modified in respect of these matters.

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07 Shawwal 1447H
March 26, 2026
Riyadh, Kingdom of Saudi Arabia



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

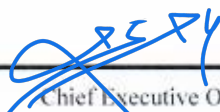
	Notes	SAR '000	
		31 December 2025	31 December 2024
ASSETS			
Cash and cash equivalents	6	350,661	654,668
Investments	7	511,473	90,291
Reinsurance contract assets	4	44,778	68,420
Prepayments and other receivables	25	18,627	18,378
Right-of-use assets, net	9	4,231	7,543
Accrued income on statutory deposit		1,162	1,253
Property and equipment, net	11	6,928	3,544
Intangible assets, net	12	13,228	6,782
Statutory deposit	8	43,650	43,650
TOTAL ASSETS		994,738	894,529
LIABILITIES			
Accruals and other payables	26	38,982	21,039
Insurance contract liabilities	4	704,848	586,468
Lease liabilities	10	3,442	6,750
Provision for zakat	14	3,500	8,479
Employees' terminal benefits	13	20,604	17,389
Accrued income on statutory deposit payable to Insurance Authority		1,162	1,253
TOTAL LIABILITIES		772,538	641,378
EQUITY			
Share capital	15	291,000	291,000
Accumulated losses		(133,569)	(92,379)
Fair values reserve on investments		70,902	59,234
Re-measurement reserve of employees' terminal benefits		(6,133)	(4,704)
TOTAL EQUITY		222,200	253,151
TOTAL LIABILITIES AND EQUITY		994,738	894,529

Contingencies and Commitments 16

The accompanying notes 1 to 30 form an integral part of these financial statements.



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025


	Notes	SAR '000	
		For the year ended	
		31 December 2025	31 December 2024
Insurance revenue	4.1	993,236	883,353
Insurance service expenses	4.1	(1,017,581)	(878,762)
Insurance service result before reinsurance contracts held		(24,345)	4,591
Amounts recoverable from reinsurance	4.2	86,447	63,140
Allocation of reinsurance premiums	4.2	(96,851)	(94,528)
Net expenses from reinsurance contracts held		(10,404)	(31,388)
Share of Surplus from insurance pools		4,337	4,052
Insurance service result		(30,412)	(22,745)
Commission income from financial assets measured at amortised costs		14,361	42,985
Changes in fair value of financial assets measured at FVTPL	7.2	(2,344)	401
Gain / (loss) on disposal of investments	7.2	6,035	(491)
Other investment income		2,204	-
Net ECL reversal / (provision) on financial assets		330	(219)
Net investment income		20,586	42,676
Net finance (expenses) / income from insurance contracts issued	4.1	(1,876)	740
Net finance income from reinsurance contracts held	4.2	42	106
Net insurance finance (expenses) / income		(1,834)	846
Net insurance and investment result		(11,660)	20,777
Other income		142	-
Other operating expenses	2.4	(30,082)	(30,160)
Net loss for the year, before zakat & attributable to the shareholders		(41,600)	(9,383)
Zakat reversed / (charged) during the year	1.4	410	(7,100)
Net loss for the year, after zakat & attributable to shareholders only		(41,190)	(16,483)
Weighted average number of ordinary shares outstanding (in thousands shares)	28	29,100	29,100
Basic and diluted loss per share for the year (SAR per share)	28	(1.42)	(0.57)



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
 (A SAUDI JOINT STOCK COMPANY)
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2025

	SAR '000	
	For the year ended	
	31 December 2025	31 December 2024
Net loss attributed to the shareholders after zakat and income tax	(41,190)	(16,483)
Other comprehensive income:		
<i>Items that will not be reclassified to statement of income in subsequent years</i>		
Investments at fair value through other comprehensive income		
- Net change in fair value of FVOCI Investments	11,667	17,691
- Actuarial losses on employees' terminal benefits	(1,429)	(502)
Total other comprehensive income for the year	10,238	17,189
Total comprehensive (loss) / income for the year	(30,952)	706



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	SAR'000				
	Share capital	Accumulated losses	Fair value reserve for investments	Re-measurement reserve of employees' terminal benefits	Total
31 December 2025					
Balance as at 01 January 2025	291,000	(92,379)	59,235	(4,704)	253,152
Net loss attributed to the shareholders after zakat and income tax	-	(41,190)	-	-	(41,190)
- Net change in fair value of FVOCI Investments	-	-	11,667	-	11,667
- Actuarial losses on employees' terminal benefits	-	-	-	(1,429)	(1,429)
Total comprehensive loss for the year	-	(41,190)	11,667	(1,429)	(30,952)
<i>Right issue expenses</i>	-	-	-	-	-
Balance as at 31 December 2025	291,000	(133,569)	70,902	(6,133)	222,200
31 December 2024					
Balance as at 01 January 2024	291,000	(73,998)	41,543	(4,202)	254,343
Net loss attributed to the shareholders after zakat and income tax	-	(16,483)	-	-	(16,483)
- Net change in fair value of FVOCI Investments	-	-	17,692	-	17,692
- Actuarial losses on employees' terminal benefits	-	-	-	(502)	(502)
Total comprehensive income attributable to the shareholders	-	(16,483)	17,692	(502)	707
Right issue expenses	-	(1,898)	-	-	(1,898)
Balance as at 31 December 2024	291,000	(92,379)	59,235	(4,704)	253,152


Chairman of Board of Directors


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

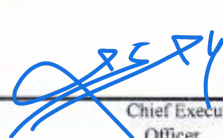
ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	SAR '000'	
	For the year ended	
Notes	31 December 2025	31 December 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year before zakat	(41,600)	(9,383)
Adjustments for non-cash items:		
Depreciation of property and equipment	11 2,523	2,035
Adjustment of property and equipment	11 (3,275)	(1,170)
Depreciation of right of use assets	9 3,312	3,481
Finance cost of lease liability	10 174	283
Amortisation of intangible assets	12 1,898	1,872
Changes in fair value of financial assets measured at FVTPL	7 2,343	-
Commission income from financial assets measured at amortised costs	(14,361)	(42,985)
Other investment income	(2,204)	-
(Gain) / loss on disposal of investments	7 (6,035)	491
Employees' terminal benefits	3,432	2,997
Net ECL charge on term deposits	-	219
	(53,793)	(42,160)
Changes in operating assets and liabilities:		
Insurance contract liabilities	118,381	7,344
Reinsurance contract assets	23,642	(10,606)
Accruals and other payables	17,942	(13,053)
Prepayments and other receivables	(249)	14,141
	105,923	(44,334)
Employees' terminal benefits paid	(1,646)	(2,523)
Zakat paid during the year	(4,569)	(10,243)
Net cash generated from / (used in) operating activities	99,708	(57,100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,631)	(1,033)
Purchase of intangible assets	(8,344)	(1,919)
Placement of term deposits	-	565,110
Purchase of investments	(613,601)	(30,164)
Proceed from sale of Investments	207,778	535
Commission income from financial assets measured at amortised costs	14,361	42,985
Other investment income	2,204	-
Net cash (used in) / generated from investing activities	(400,233)	575,514
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for issuing right shares expenses	-	(1,898)
Payment of lease liability	(3,482)	(3,481)
Net cash used in financing activities	(3,482)	(5,379)
Net change in cash and cash equivalents	(304,007)	513,035
Cash and cash equivalents, beginning of the year	654,668	141,633
Cash and cash equivalents, end of the year	350,661	654,668
NON CASH INFORMATION		
Net change in fair value of FVOCI Investments	11,667	2,509
Additions of right of use assets and lease liabilities	-	9,600
Actuarial losses on employees' terminal benefits	(1,429)	(1,429)

The accompanying notes 1 to 31 form an integral part of these financial statements.



Chairman of Board of Directors



Chief Executive Officer



Chief Financial Officer

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group (“the Company” or “ACIG”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 1010417178 dated Shabaan 9,1428H, corresponding to 22 August 2007. The registered office of the Company is situated at Hteen district, Prince Turki bin Abdulaziz Road, Riyadh.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April, 2009, the Company received a license from the Saudi Central Bank (“SAMA”) to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July 2009. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007.

The Company has 3 registered branches as set out below:

Branch	Commercial Registration Number	Place of issuance	Date
Branch of ACIG	2051043671	Al Khobar	12 Ramadan 1439
Branch of ACIG	5855035150	Khamis Mushayt	12 Ramadan 1439
Branch of ACIG	4030204059	Jeddah	12 Ramadan 1439

The Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Insurance Implementing Regulations issued by Insurance Authority (IA), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full. Post implementation of IFRS 17, the surplus payable is included in the insurance contract liabilities under LIC.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The Company’s statement of financial position is presented in order of liquidity. Except for financial assets, fixtures, furniture and equipment, right-of-use assets, intangible assets, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits 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 31 to these financial statements provides the statement of financial position, statement of income, statement of comprehensive income 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.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 30 of the financial statements have been provided as supplementary financial information to comply with the requirements of the Insurance Implementing Regulations and is not required under IFRSs. The implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

(b) Basis of Measurement

Going Concern

The Company has posted a net comprehensive loss of SAR 30.9 million for the year ended 31 December 2025 (net comprehensive income of SAR 0.71 million for the year ended 31 December 2024). As at 31 December 2025, the Company did not meet the prudential solvency margin requirement, and the Company’s accumulated losses stand at SAR 133.57 million as at 31 December 2025 (31 December 2024: SAR 92.38 million), representing 45.90% of the share capital (31 December 2024: 31.75%). These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

However, the Company’s management has developed a plan, approved by the Board of Directors, which projects a return to profitability beginning from coming year. The plan includes measures such as expanding digital channels, enhancing customer experience, investment diversification, strengthening broker networks, improving operational efficiency, and investing in technology and talent. The strategy also focuses on diversifying products, optimizing pricing, and penetrating new market segments. Based on these planned initiatives and management’s expectations of future performance, the financial statements have been prepared on a going concern basis.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

2 BASIS OF PREPARATION-(CONTINUED)

(c) Functional and presentation currency

These financial statements are expressed in Saudi Arabian Riyals (SAR) and all amounts are rounded off to the nearest thousand, unless otherwise indicated.

(d) Fiscal year

The Company follows a fiscal year ending on 31 December.

(e) 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.

(1) Unit of account

Judgement is involved in the identification of portfolios of contracts, as required by IFRS 17 (that is, having similar risks and being managed together). Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts. Similar grouping assessment is required for reinsurance contracts held. Areas of potential judgements include:

- the determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group, as required by IFRS 17; and
- judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For insurance contracts issued which are measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

(2) Discount rates

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). Management uses judgement to assess liquidity characteristics of the liability cash flows.

(3) Methods used to measure the risk adjustment for non-financial risk

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk and also to choose the most appropriate confidence level to which the risk adjustment for non-financial risk should correspond. The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion.

(4) Measurement of the Expected Credit Losses allowance (ECL)

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behavior. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held). A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- determining the criteria and definition of default;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

2 BASIS OF PREPARATION-(CONTINUED)

(e) Critical accounting judgments, estimates and assumptions-(Continued)

5) 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. Refer note 21 for

6) Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in 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, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims. That present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

3 MATERIAL ACCOUNTING POLICIES

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

Standards, amendments, interpretations	Description	Effective from annual period beginning on or after:
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for earlier adoption/effective date deferred indefinitely
New standard " IFRS 18"	IFRS 18, 'Presentation and Disclosure in Financial Statements	1 January 2027
New standard " IFRS 19"	IFRS 19, 'Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 9 and IFRS 7	Classification and measurement of Financial Instruments- Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS Accounting Standards – Volume 11	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(i) IFRS 17 Insurance Contracts

The Company measures all of its insurance contracts on premium allocation Approach (PAA). The key measurement principles of the PAA are as follows:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
 - Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
 - Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
 - Measurement of the liability for incurred claims (previously claims outstanding, incurred-but-not-reported (IBNR) claims and other technical reserves, claims payable and surplus distribution) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
 - Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.
-
- The Company capitalizes insurance acquisition cash flows for all product lines. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognized applying another IFRS standard) before the related group of insurance contracts is recognized, an asset for insurance acquisition cash flows is recognized. When insurance contracts are recognized, the related portion of the asset for insurance acquisition cash flows is derecognized and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group. For further details, refer to Note 05.

Unit of account and measurement model

The Company deals in products related to motor, medical and other general lines. The Company has defined portfolios of insurance contracts issued based on products as that includes Medical Malpractice, worker's Compensation/Product Liability/Commercial General Liability/Other general accident Products, All other General Accident products (including Travel), motor Retail TPL, motor Fleet TPL, motor TPL Manafeth, motor Retail Comprehensive, motor Fleet Comprehensive, property, marine, construction All Risks/Erection All Risks, all other engineering products medical SME, medical Group, medical visitor visa The proportional reinsurance portfolios include, General Accident Quota Share & Surplus, Travel Quota Share Property Quota Share & Surplus, marine Quota Share & Surplus.

Each portfolio is further disaggregated into groups of contracts that are issued within a underwriting year (annual cohorts) and are:

- (i) contracts that are onerous at initial recognition;
- (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
 - Discounted estimates of future cash flows.; and
 - A risk adjustment which is the compensation required for bearing uncertainty; and
 - Contractual service margin which is the unearned profit that is recognized as services are provided.

The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the Company of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. The Company is adopting the PAA measurement model for the measurement of LRC for all the portfolios. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(i) IFRS 17 Insurance Contracts-(Continued)

Initial and subsequent measurement

The Company uses the PAA for measuring contracts with a coverage period of one year or less and on contracts that pass the eligibility testing. Group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a Group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

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

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

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

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

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on Company's assessment, there are no investment components within insurance contracts issued by the Company. An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on the Company's assessment, there are no investment components within insurance contracts issued by the Company.

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

Contract modification and derecognition

An insurance contract is derecognized when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and certain additional criteria are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

- a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
 - i. is not in scope of IFRS 17;
 - ii. results in different separable components;
 - iii. results in a different contract boundary; or
 - iv. belongs to a different group of contracts;
- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(i) IFRS 17 Insurance Contracts-(Continued)

Contract modification and derecognition-(Continued)

When an insurance contract accounted for under the PAA is derecognized, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- a. if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;
- b. if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party;
- c. if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

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 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.

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, for segments of business with homogenous risks.

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.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of group of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b) both of the following criteria are satisfied:
 - the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

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

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Measurement Model Application

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds for which the coverage period is less than one year. For other contracts issued and held where the coverage period is more than one year, the Company performs PAA Eligibility testing to confirm whether the PAA may be applied. Subject to passing the PAA eligibility testing, the Company applied PAA on contract issued and reinsurance contracts held that pass the testing.

When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company’s previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(i) IFRS 17 Insurance Contracts-(Continued)

Insurance acquisition costs and directly attributable expenses

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a Group of insurance contracts and that are:

- (a) 'costs directly attributable to individual contracts and Groups of contracts; and
- (b) 'costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts

Before a group of insurance contracts is recognized, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a Group of insurance contracts when the insurance contracts are subsequently recognized. The acquisition costs are generally capitalized and recognized in the statement of income over the life of the contracts. However, for contracts under PAA approach, there is an option to recognize any insurance acquisition cash flows as an expense when the Company incurs those costs. The Company has elected not to choose the option.

Other operating expenses

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

Value Added Taxes

Transaction-based taxes (such as premium taxes, value added taxes and goods & services taxes) and levies that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis. These are not included within insurance contract liabilities and are shown separately in accruals and other payables.

Insurance revenue

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in exchange for those services.

For Groups of insurance contracts measured under the PAA, the Company recognizes insurance revenue based on the passage of time over the coverage period of a Group of contracts.

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. Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a Group of contracts.

Insurance Service expenses

Insurance service expenses include the following:

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

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the statement of income

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- a. interest accreted on the LIC; and
- b. the effect of changes in interest rates and other financial assumptions.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(i) IFRS 17 – accounting policies, including key judgments and estimates-(Continued)

Net income (expenses) from reinsurance contracts held

The Company presents financial performance of Groups of reinsurance contracts held separately between the amounts recoverable from reinsurers and allocation of the premiums for reinsurance contracts held, comprising the following amounts;

- a. reinsurance expenses;
- b. incurred claims recovery;
- c. other incurred directly attributable insurance service expenses;
- d. effect of changes in risk of reinsurer non-performance;

For Groups of reinsurance contracts held measured under the PAA, the Company recognizes reinsurance expenses based on the passage of time over the coverage period of a Group of contracts.

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

Onerous contract

For all contracts measured under PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. In addition, if facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. Once a Group of contracts is determined as onerous on initial or subsequent assessment, 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. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Company remeasures the same and adjusts the loss component as required until the loss component is reduced to zero. 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.

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 65th 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.

(ii) IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

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 irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

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.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(ii) IFRS 9 – Financial Instruments (continued)

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.

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

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 profit or loss.

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 OCI, 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 OCI 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 profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is 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)

(ii) IFRS 9 – Financial Instruments (continued)

Financial assets – Measurement (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 OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss 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.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(ii) IFRS 9 – Financial Instruments (continued)

Financial assets – Impairment (Continued)

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.

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.

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.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(ii) IFRS 9 – Financial Instruments (continued)

Financial assets – Impairment (Continued)

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.

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 statement of income. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

(iv) Dividend income

Dividend income on equity instruments classified under fair value through profit and loss investments is recognized when the right to receive payment is established.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of other comprehensive income unless required or permitted by any accounting standard or interpretation.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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**NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)
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3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

vi) Intangible assets

Computer software are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes computer software with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	4

(vii) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Motor vehicles	4
Furniture, fittings and office equipment	7
Computer equipment	4
Leasehold improvements	4

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of insurance operations and accumulated surplus.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders' operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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.

(viii) Impairment of non-financial assets

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

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

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(ix) Leases

Definition of lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

(X) Employees' terminal benefits

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. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of other comprehensive income.

(xi) Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

(xii) Dividend distribution

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

(xiii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months' maturity from the date of acquisition.

3 MATERIAL ACCOUNTING POLICIES-(CONTINUED)

(xiv) Term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition.

(xv) Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

(xvi) Statutory deposit

In accordance with the Cooperative Insurance Companies Control Law issued by the Insurance Authority, the Company is required to maintain a deposit in a bank account equal to 10% of the paid up share capital of the Company. This statutory deposit cannot be withdrawn without the consent of Insurance Authority. Statutory deposit is classified as a financial asset and is carried at amortized cost.

(xvii) Accruals and Other payables

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

(xviii) Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

(xix) Value added tax

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

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

(xx) Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical insurance provides coverage for health insurance.
- Motor insurance provides coverage for vehicles' insurance.
- Property insurance provides coverage for property insurance.
- Engineering insurance provides coverage for engineering and contract works.
- Other insurance provides coverage for marine and other general insurance.

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

No inter-segment transactions occurred during the year. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' income 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.

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4 INSURANCE AND REINSURANCE CONTRACTS BALANCES

	SAR'000				
	Medical	Motor	General Accident	Others	Total
<u>31 December 2025</u>					
Insurance contract liabilities	120,079	456,673	112,107	15,989	704,848
Reinsurance contract assets	(51,240)	(4,885)	1,925	9,422	(44,778)
Net insurance and reinsurance contract liabilities	68,839	451,788	114,032	25,411	660,070

31 December 2024

Insurance contract liabilities	86,696	325,676	162,436	11,660	586,468
Reinsurance contract assets	(33,287)	(5,379)	(5,556)	(24,198)	(68,420)
Net insurance and reinsurance contract liabilities	53,409	320,297	156,880	(12,538)	518,048

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.1 Movement in insurance contract assets and liabilities

Insurance contracts

Analysis by remaining coverage and incurred claims

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)			Total	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)	
Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Insurance contracts Issued										
Opening insurance contract liabilities	328,672	39,096	209,547	9,153	586,468	352,122	2,838	214,752	9,412	579,124
Insurance Revenue	993,236	-	-	-	993,236	883,353	-	-	-	883,353
Insurance service expenses										
Incurred claims and other directly attributable expenses	-	-	880,620	6,507	887,127	-	-	725,344	7,250	732,594
Losses / (reversal of those losses) on onerous contracts	-	5,470	-	-	5,470	-	36,258	-	-	36,258
Changes that relate to past service - adjustments to the LIC	-	-	(3,596)	(7,713)	(11,309)	-	-	(35,798)	(7,536)	(43,334)
Surplus distribution to policyholders	-	-	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortization	136,293	-	-	-	136,293	153,244	-	-	-	153,244
Insurance service expenses	136,293	5,470	877,024	(1,206)	1,017,581	153,244	36,258	689,546	(286)	878,762
Insurance service result	856,943	(5,470)	(877,024)	1,206	(24,345)	730,109	(36,258)	(689,546)	286	4,591
Net finance (expenses) / income from insurance contracts	-	-	(1,786)	(90)	(1,876)	-	-	767	(27)	740
Cash flows										
Premiums received	1,215,195	-	-	-	1,215,195	859,228	-	-	-	859,228
Claims paid	-	-	(870,283)	-	(870,283)	-	-	(638,296)	-	(638,296)
Other directly attributable expenses paid	-	-	(51,991)	-	(51,991)	-	-	(55,688)	-	(55,688)
Insurance acquisition cash flows paid	(200,762)	-	-	-	(200,762)	(152,569)	-	-	-	(152,569)
Total cash flows	1,014,433	-	(922,274)	-	92,159	706,659	-	(693,984)	-	12,675
Closing insurance contract liabilities	486,162	44,566	166,083	8,037	704,848	328,672	39,096	209,547	9,153	586,468

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.1 Movement in insurance contract assets and liabilities-(Continued)

Insurance contracts

Analysis by remaining coverage and incurred claims

4.1.A Medical

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)			Total	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)	
Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Insurance contracts Issued										
Opening insurance contract liabilities	22,513	19,078	44,367	738	86,696	28,183	2,798	52,882	753	84,616
Insurance Revenue	166,037	-	-	-	166,037	176,524	-	-	-	176,524
Insurance service expenses										
Incurred claims and other directly attributable expenses	-	-	141,997	878	142,875	-	-	181,510	746	182,256
Losses /(reversals) on onerous contracts	-	(7,324)	-	-	(7,324)	-	16,280	-	-	16,280
Changes that relate to past service - adjustments to the LIC	-	-	(12,850)	(744)	(13,594)	-	-	(5,275)	(839)	(6,114)
Surplus distribution to policyholders	-	-	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortization	26,637	-	-	-	26,637	30,068	-	-	-	30,068
Insurance service expenses	26,637	(7,324)	129,147	134	148,594	30,068	16,280	176,235	(93)	222,490
Insurance service result	139,400	7,324	(129,147)	(134)	17,443	146,456	(16,280)	(176,235)	93	(45,966)
Net finance income / (expenses) from insurance contracts	-	-	62	-	62	-	-	(156)	(78)	(234)
Cash flows										
Premiums received	234,866	-	-	-	234,866	158,857	-	-	-	158,857
Claims paid	-	-	(128,615)	-	(128,615)	-	-	(172,305)	-	(172,305)
Other directly attributable expenses paid	-	-	(11,768)	-	(11,768)	-	-	(12,601)	-	(12,601)
Insurance acquisition cash flows paid	(43,595)	-	-	-	(43,595)	(18,071)	-	-	-	(18,071)
Total cash flows	191,271	-	(140,383)	-	50,888	140,786	-	(184,906)	-	(44,120)
Closing insurance contract liabilities	74,384	11,754	33,069	872	120,079	22,513	19,078	44,367	738	86,696

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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-

4.1 Movement in insurance contract assets and liabilities-(Continued)

Insurance contracts

Analysis by remaining coverage and incurred claims

4.1.B Motor

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)			Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)		
Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Total	Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Total	
Insurance contracts Issued										
Opening insurance contract liabilities	181,457	14,156	122,828	7,235	325,676	299,326	40	132,714	7,988	440,068
Insurance Revenue	628,527	-	-	-	628,527	611,174	-	-	-	611,174
Insurance service expenses										
Incurred claims and other directly attributable expenses	-	-	591,168	4,659	595,827	-	-	469,897	5,772	475,669
Losses on onerous contracts	-	12,435	-	-	12,435	-	14,116	-	-	14,116
Changes that relate to past service - adjustments to the LIC	-	-	(2,443)	(6,300)	(8,743)	-	-	(27,528)	(6,354)	(33,882)
Surplus distribution to policyholders	-	-	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortization	79,519	-	-	-	79,519	110,947	-	-	-	110,947
Insurance service expenses	79,519	12,435	588,725	(1,641)	679,038	110,947	14,116	442,369	(582)	566,850
Insurance service result	549,008	(12,435)	(588,725)	1,641	(50,511)	500,227	(14,116)	(442,369)	582	44,324
Net finance (expenses) / income from insurance contracts	-	-	(1,879)	(91)	(1,970)	-	-	460	171	631
Cash flows										
Premiums received	856,121	-	-	-	856,121	479,081	-	-	-	479,081
Claims paid	-	-	(620,128)	-	(620,128)	-	-	(427,270)	-	(427,270)
Other directly attributable expenses paid	-	-	(23,664)	-	(23,664)	-	-	(24,525)	-	(24,525)
Insurance acquisition cash flows paid	(133,813)	-	-	-	(133,813)	(96,723)	-	-	-	(96,723)
Total cash flows	722,308	-	(643,792)	-	78,516	382,358	-	(451,795)	-	(69,437)
Closing insurance contract liabilities	354,757	26,591	69,640	5,685	456,673	181,457	14,156	122,828	7,235	325,676

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.1 Movement in insurance contract assets and liabilities-(Continued)

Insurance contracts

Analysis by remaining coverage and incurred claims

4.1.C General Accident

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)			Total	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)	
Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Insurance contracts Issued										
Opening insurance contract liabilities	115,793	5,862	39,655	1,126	162,436	19,243	-	26,155	650	46,048
Insurance Revenue	164,813	-	-	-	164,813	67,871	-	-	-	67,871
Insurance service expenses										
Incurring claims and other directly attributable expenses	-	-	142,290	933	143,223	-	-	67,953	679	68,632
Losses /(reversals) on onerous contracts	-	359	-	-	359	-	5,862	-	-	5,862
Changes that relate to past service - adjustments to the LIC	-	-	11,858	(634)	11,224	-	-	(2,478)	(316)	(2,794)
Surplus distribution to policyholders	-	-	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortization	27,140	-	-	-	27,140	9,927	-	-	-	9,927
Insurance service expenses	27,140	359	154,148	299	181,946	9,927	5,862	65,475	363	81,627
Insurance service result	137,673	(359)	(154,148)	(299)	(17,133)	57,944	(5,862)	(65,475)	(363)	(13,756)
Net finance income / (expenses) from insurance contracts	-	-	37	0	37	-	-	471	(113)	358
Cash flows										
Premiums received	89,920	-	-	-	89,920	188,914	-	-	-	188,914
Claims paid	-	-	(126,151)	-	(126,151)	-	-	(35,279)	-	(35,279)
Other directly attributable expenses paid	-	-	(12,183)	-	(12,183)	-	-	(16,225)	-	(16,225)
Insurance acquisition cash flows paid	(19,011)	-	-	-	(19,011)	(34,420)	-	-	-	(34,420)
Total cash flows	70,909	-	(138,334)	-	(67,425)	154,494	-	(51,504)	-	102,990
Closing insurance contract liabilities	49,029	6,221	55,432	1,425	112,107	115,793	5,862	39,655	1,126	162,436

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NOTES TO THE FINANCIAL STATEMENTS-(CONTINUED)

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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.1 Movement in insurance contract assets and liabilities-(Continued)

Insurance contracts

Analysis by remaining coverage and incurred claims

4.1.D Others

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)			Total	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)	
Excluding loss Component	Loss Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Insurance contracts Issued										
Opening insurance contract liabilities	8,909	-	2,697	54	11,660	5,369	-	3,002	21	8,392
Insurance Revenue	33,859	-	-	-	33,859	27,784	-	-	-	27,784
Insurance service expenses										
Incurring claims and other directly attributable expenses	-	-	5,164	38	5,202	-	-	5,985	53	6,038
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(157)	(39)	(196)	-	-	(518)	(25)	(543)
Surplus distribution to policyholders	-	-	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortization	2,997	-	-	-	2,997	2,303	-	-	-	2,303
Insurance service expenses	2,997	-	5,007	(1)	8,003	2,303	-	5,467	28	7,798
Insurance service result	30,862	-	(5,007)	1	25,856	25,481	-	(5,467)	(28)	19,986
Net finance expenses from insurance contracts	-	-	(3)	(2)	(5)	-	-	(8)	(5)	(13)
Cash flows										
Premiums received	34,288	-	-	-	34,288	32,376	-	-	-	32,376
Claims paid	-	-	4,611	-	4,611	-	-	(3,442)	-	(3,442)
Other directly attributable expenses paid	-	-	(4,376)	-	(4,376)	-	-	(2,338)	-	(2,338)
Insurance acquisition cash flows paid	(4,343)	-	-	-	(4,343)	(3,355)	-	-	-	(3,355)
Total cash flows	29,945	-	235	-	30,180	29,021	-	(5,780)	-	23,241
Closing insurance contract liabilities	7,992	-	7,942	55	15,989	8,909	-	2,697	54	11,660

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.2 Movement in reinsurance contract assets and liabilities-(Continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims for reinsurance contracts

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Asset for remaining coverage		Assets for incurred claims			Asset for remaining coverage		Assets for incurred claims		
Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Total	Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Total	
Reinsurance contracts held										
Opening reinsurance contract assets	20,989	7,898	39,125	408	68,420	25,585	1,258	30,570	401	57,814
Allocation of reinsurance premiums	(96,851)	-	-	-	(96,851)	(94,528)	-	-	-	(94,528)
Amounts recoverable from reinsurance										
Incurring claims and other expenses	-	-	74,016	473	74,489	-	-	78,993	331	79,324
(Losses) / reversals on onerous contracts	-	(2,023)	-	-	(2,023)	-	6,640	-	-	6,640
Changes that relate to past service - adjustments to the LIC	-	-	14,310	(329)	13,981	-	-	(22,500)	(324)	(22,824)
	-	(2,023)	88,326	144	86,447	-	6,640	56,493	7	63,140
Reinsurance results	(96,851)	(2,023)	88,326	144	(10,404)	(94,528)	6,640	56,493	7	(31,388)
Net finance income from reinsurance contracts	-	-	(41)	(1)	(42)	-	-	106	-	106
Cash flows										
Premiums paid	(117,284)	-	-	-	(117,284)	(94,347)	-	-	-	(94,347)
Claims received	-	-	124,031	-	124,031	-	-	48,044	-	48,044
Fixed commission income	6,449	-	-	-	6,449	4,415	-	-	-	4,415
Total cash flows	(110,835)	-	124,031	-	13,196	(89,932)	-	48,044	-	(41,888)
Closing reinsurance contract assets	34,973	5,875	3,379	551	44,778	20,989	7,898	39,125	408	68,420

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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.2 Movement in reinsurance contract assets and liabilities-(Continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims for reinsurance contracts

4.2.A Medical

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Asset for remaining coverage		Assets for incurred claims			Total	Asset for remaining coverage		Assets for incurred claims	
Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Recovery Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Reinsurance contracts held										
Opening reinsurance contract assets	15,142	7,898	9,960	287	33,287	19,217	1,258	14,271	373	35,119
Allocation of reinsurance premiums	(58,856)	-	-	-	(58,856)	(58,966)	-	-	-	(58,966)
Amounts recoverable from reinsurance										
Incurring claims and other expenses	-	-	72,966	448	73,414	-	-	77,721	289	78,010
(Losses) / reversals on onerous contracts	-	(2,023)	-	-	(2,023)	-	6,640	-	-	6,640
Changes that relate to past service - adjustments to the LIC	-	-	675	(288)	387	-	-	(2,616)	(377)	(2,993)
	-	(2,023)	73,641	160	71,778	-	6,640	75,105	(88)	81,657
Reinsurance results	(58,856)	(2,023)	73,641	160	12,922	(58,966)	6,640	75,105	(88)	22,691
Net finance (expenses) / income from reinsurance contracts	-	-	(54)	(2)	(56)	-	-	84	2	86
Cash flows										
Premiums paid	(73,269)	-	-	-	(73,269)	(54,891)	-	-	-	(54,891)
Claims received	-	-	68,182	-	68,182	-	-	79,500	-	79,500
Fixed commission income	-	-	-	-	-	-	-	-	-	-
Total cash flows	(73,269)	-	68,182	-	(5,087)	(54,891)	-	79,500	-	24,609
Closing reinsurance contract assets	29,555	5,875	15,365	445	51,240	15,142	7,898	9,960	287	33,287

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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.2 Movement in reinsurance contract assets and liabilities-(Continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims for reinsurance contracts

4.2.B Motor

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Asset for remaining coverage		Assets for incurred claims			Total	Asset for remaining coverage		Assets for incurred claims	
Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Recovery Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Reinsurance contracts held										
Opening reinsurance contract assets	-	-	5,300	79	5,379	-	-	5,954	-	5,954
Allocation of reinsurance premiums	(3,517)	-	-	-	(3,517)	(5,178)	-	-	-	(5,178)
Amounts recoverable from reinsurance										
Incurring claims and other expenses	-	-	-	-	-	-	-	-	-	-
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(488)	(23)	(511)	-	-	(1,393)	80	(1,313)
	-	-	(488)	(23)	(511)	-	-	(1,393)	80	(1,313)
Reinsurance results	(3,517)	-	(488)	(23)	(4,028)	(5,178)	-	(1,393)	80	(6,491)
Net finance income / (expenses) from reinsurance contracts	-	-	9	-	9	-	-	20	(1)	19
Cash flows										
Premiums paid	(3,517)	-	-	-	(3,517)	(5,178)	-	-	-	(5,178)
Claims received	-	-	(8)	-	(8)	-	-	(719)	-	(719)
Fixed commission income	-	-	-	-	-	-	-	-	-	-
Total cash flows	(3,517)	-	(8)	-	(3,525)	(5,178)	-	(719)	-	(5,897)
Closing reinsurance contract assets	-	-	4,829	56	4,885	-	-	5,300	79	5,379

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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.2 Movement in reinsurance contract assets and liabilities-(Continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims for reinsurance contracts

4.2.C General Accident

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Asset for remaining coverage		Assets for incurred claims			Total	Asset for remaining coverage		Assets for incurred claims	
Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Recovery Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Reinsurance contracts held										
Opening reinsurance contract assets	1,331	-	4,212	13	5,556	1,992	-	1,565	2	3,559
Allocation of reinsurance premiums	(7,036)	-	-	-	(7,036)	(8,446)	-	-	-	(8,446)
Amounts recoverable from reinsurance										
Incurring claims and other expenses	-	-	71	3	74	-	-	203	9	212
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	2,575	(1)	2,574	-	-	(3,419)	2	(3,417)
	-	-	2,646	2	2,648	-	-	(3,216)	11	(3,205)
Reinsurance results	(7,036)	-	2,646	2	(4,388)	(8,446)	-	(3,216)	11	(11,651)
Net finance income / (expenses) from reinsurance contracts	-	-	1	1	2	-	-	(1)	-	(1)
Cash flows										
Premiums paid	(7,232)	-	-	-	(7,232)	(8,564)	-	-	-	(8,564)
Claims received	-	-	9,588	-	9,588	-	-	(5,864)	-	(5,864)
Fixed commission income	739	-	-	-	739	779	-	-	-	779
Total cash flows	(6,493)	-	9,588	-	3,095	(7,785)	-	(5,864)	-	(13,649)
Closing reinsurance contract assets	788	-	(2,729)	16	(1,925)	1,331	-	4,212	13	5,556

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4 INSURANCE AND REINSURANCE CONTRACTS BALANCES-(CONTINUED)

4.2 Movement in reinsurance contract assets and liabilities-(Continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims for reinsurance contracts

4.2.D Others

	As at 31 December 2025					As at 31 December 2024				
	SAR'000					SAR'000				
	Asset for remaining coverage		Assets for incurred claims			Total	Asset for remaining coverage		Assets for incurred claims	
Excluding loss Component	Loss Recovery Component	Estimate of present value of future cash flows	Risk Adjustment for non financial risk	Excluding loss Component	Loss Recovery Component		Estimate of present value of future cash flows	Risk Adjustment for non financial risk		
Reinsurance contracts held										
Opening reinsurance contract assets	4,516	-	19,653	29	24,198	4,376	-	8,780	26	13,182
Allocation of reinsurance premiums	(27,442)	-	-	-	(27,442)	(21,938)	-	-	-	(21,938)
Amounts recoverable from reinsurance										
Incurring claims and other expenses	-	-	979	22	1,001	-	-	1,069	33	1,102
Losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	11,548	(17)	11,531	-	-	(15,073)	(28)	(15,101)
	-	-	12,527	5	12,532	-	-	(14,004)	5	(13,999)
Reinsurance results	(27,442)	-	12,527	5	(14,910)	(21,938)	-	(14,004)	5	(35,937)
Net finance (expenses) / income from reinsurance contracts	-	-	3	-	3	-	-	4	(2)	2
Cash flows										
Premiums paid	(33,266)	-	-	-	(33,266)	(25,714)	-	-	-	(25,714)
Claims received	-	-	46,269	-	46,269	-	-	(24,873)	-	(24,873)
Fixed commission income	5,710	-	-	-	5,710	3,636	-	-	-	3,636
Total cash flows	(27,556)	-	46,269	-	18,713	(22,078)	-	(24,873)	-	(46,951)
Closing reinsurance contract assets	4,630	-	(14,086)	34	(9,422)	4,516	-	19,653	29	24,198

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5 GROSS PREMIUM WRITTEN AND REINSURANCE PREMIUMS CEDED

Premium written during the year is as follows:

	For the year ended 31 December 2025			
	Medical	Motor	Properties and accident	Total
	SAR'000			
Gross premiums written				
Individual	6,564	813,846	88,267	908,677
Micro enterprise	126,081	19,512	1,512	147,105
Small	19,325	7,901	5,840	33,066
Medium	10,469	2,283	12,283	25,035
Large	74,408	3,399	28,172	105,979
TOTAL GROSS PREMIUMS WRITTEN	236,847	846,941	136,074	1,219,862

	For the year ended 31 December 2024			
	Medical	Motor	Properties and accident	Total
	SAR'000			
Gross premiums written				
Individual	4,729	436,495	173,963	615,187
Micro enterprise	65,944	13,612	1,641	81,197
Small	20,412	22,837	5,251	48,500
Medium	10,392	655	11,899	22,946
Large	54,625	2,540	19,712	76,877
TOTAL GROSS PREMIUMS WRITTEN	156,102	476,139	212,466	844,707

Premium ceded during the year with local and foreign entities as follows:

	For the year ended 31 December 2025		
	Local	Foreign	Total
	SAR'000		
Medical	8,659	78,873	87,532
Motor	1,055	2,462	3,517
General Accident	2,013	5,141	7,154
Others	6,116	29,489	35,605
Total	17,843	115,965	133,808

	For the year ended 31 December 2024		
	Local	Foreign	Total
	SAR'000		
Medical	-	52,544	52,544
Motor	1,294	3,884	5,178
General Accident	66	7,355	7,421
Others	1,894	24,479	26,373
Total	3,254	88,262	91,516

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FOR THE YEAR ENDED 31 DECEMBER 2025

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

		SAR'000	
		31 December 2025	31 December 2024
	Note		
Insurance operations			
Bank balances and cash		184,193	46,061
Deposits maturing within 3 months from the acquisition date	6.1	-	475,859
		184,193	521,920
Shareholders' operations			
Bank balances and cash		166,489	140
Deposits maturing within 3 months from the acquisition date	6.1	-	132,958
		166,489	133,098
Less: allowance for expected credit losses		(21)	(350)
Total		350,661	654,668

6.1 Term deposits are held with the financial institutions These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of less than three months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date. These deposits earn commission at an average of 5.9% per annum as at 31 December 2025 (31 December 2024: 6.04%).

7 INVESTMENTS

		SAR'000	
		31 December 2025	31 December 2024
Investments measured at fair value through other comprehensive income	7.1	72,821	61,154
Investments measured at fair value through profit or loss	7.2	438,652	29,137
		511,473	90,291

7.1 Investments measured at fair value through other comprehensive income comprises of the following:

Unlisted Equity Securities	72,821	61,154
	72,821	61,154
Opening balance as at 01 January		
-Unlisted Equity Securities-Najm	61,154	43,463
<i>Add / (less): fair value measurement change during the year</i>		
-Unlisted Equity Securities	11,667	17,691
Closing Balance		
-Unlisted Equity Securities	72,821	61,154
	72,821	61,154

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7 INVESTMENTS-(CONTINUED)

	SAR'000	
	31 December 2025	31 December 2024
7.2 Investments measured at fair value through profit or loss		
Opening balance as at 01 January		
-Equity Securities	9,035	-
-Unlisted Equity Securities	20,102	-
	29,137	-
Add: Additions during the year		
-Mutual Funds	598,601	10,164
-Sukuks	15,000	-
-Unlisted Equity Securities	-	20,000
	613,601	30,164
Less: Disposals during the year		
-Equity Securities	(10,295)	(535)
-Mutual Fund	(189,913)	-
-Unlisted Equity Securities	(7,570)	-
	(207,778)	(535)
Add / (less): gain or loss on disposal on investments		
-Mutual Fund	3,465	-
-Unlisted Equity Securities	2,570	-
	6,035	-
Add / (less): change in fair value of investments		
-Mutual Fund	(2,447)	(594)
-Unlisted Equity Securities	104	102
	(2,343)	(492)
Closing Balance		
-Mutual Funds	408,446	9,035
-Sukuks	15,000	-
-Unlisted Equity Securities	15,206	20,102
	438,652	29,137

8 STATUTORY DEPOSIT

	SAR'000	
	31 December 2025	31 December 2024
Statutory deposit	43,650	43,650
	43,650	43,650

As required by Article 58 of the Insurance Implementing Regulations of Insurance Authority (IA) , the Company had deposited 15% of its paid up capital of SAR 291 million as at 31 December 2025 (31 December 2024: SAR 291 million), in a bank designated by the IA. The Company cannot withdraw this deposit without IA's approval and commission accruing on this deposit is payable to IA.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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9 RIGHT OF USE ASSETS, NET

	SAR'000	
	31 December 2025	31 December 2024
Cost:		
At beginning of the year	22,438	12,838
Additions during the year	-	9,600
As at end of year	<u>22,438</u>	<u>22,438</u>
Accumulated depreciation		
At beginning of the year	(14,895)	(11,414)
Charge for the year	(3,312)	(3,481)
As at end of year	<u>(18,207)</u>	<u>(14,895)</u>
Net book value	<u>4,231</u>	<u>7,543</u>

10 LEASE LIABILITIES

	SAR'000	
	31 December 2025	31 December 2024
Liabilities:		
At beginning of the year	6,750	348
Additions during the year	-	9,600
Finance cost	174	283
	<u>6,924</u>	<u>10,231</u>
Payments:		
Paid during the year	(3,482)	(3,481)
Total lease liabilities	<u>3,442</u>	<u>6,750</u>

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11 PROPERTY AND EQUIPMENT, NET

	SAR'000					Total 2024
	Motor Vehicles	Furniture, fittings and office equipment	Computer equipment	Leasehold improvements	Total 2025	
Cost:						
As at 01 January	135	7,710	9,291	9,977	27,113	26,079
Additions during the year	-	55	2,528	48	2,631	1,033
As at 31 December	135	7,765	11,819	10,025	29,744	27,112
Accumulated depreciation:						
As at 01 January	126	7,710	8,399	7,333	23,568	22,703
Charge for the year	5	55	1,350	1,113	2,523	2,035
Adjustment	-	-	-	(3,275)	(3,275)	(1,170)
As at 31 December	131	7,765	9,749	5,171	22,816	23,568
Net book value						
As at 31 December, 2025	4	-	2,070	4,854	6,928	3,544
As at 31 December, 2024	9	-	892	2,644		

12 INTANGIBLE ASSETS, NET

	SAR'000	
	31 December 2025	31 December 2024
Cost:		
As at 01 January	18,057	16,138
Additions during the year	1,699	1,919
As at 31 December	19,756	18,057
Accumulated amortisation:		
As at 01 January		
Charge for the year	(11,275)	(9,403)
As at 31 December	(1,898)	(1,872)
	(13,173)	(11,275)
Net book Value	6,583	6,782
Add: Capital work in progress	6,645	-
As at 31 December	13,228	6,782

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13 EMPLOYEES' TERMINAL BENEFITS

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. 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:

	SAR'000	
	31 December 2025	31 December 2024
Present value of defined benefit obligation	20,604	17,389

13.1 Movement of defined benefit obligation

Opening balance	17,389	16,413
Charge to statement of income	3,432	2,997
Charge to statement of other comprehensive income	1,429	502
Payment of benefits during the year	(1,646)	(2,523)
Closing balance	20,604	17,389

13.2 Reconciliation of present value of defined benefit obligation

Present value of defined benefit obligation as at 1 January	17,389	16,413
Current service costs	2,513	2,477
Financial costs	919	520
Actuarial loss from experience adjustments	1,429	502
Benefits paid during the year	(1,646)	(2,523)
Present value of defined benefit obligation as at 31 December	20,604	17,389

13.3 Principal actuarial assumptions

Valuation discount rate	5.20%	5.70%
Expected rate of increase in salary level across different age bands	5.70%	5.20%
Valuation discount rate		
-Increase by 1%	19,043	15,942
-Decrease by 1%	22,429	17,841
Expected rate of increase in salary level across different age bands		
-Increase by 1%	22,504	19,176
-Decrease by 1%	18,950	15,853
Mortality rate		
-1 year Mortality age set back	20,611	17,393
-1 year Mortality age set forward	20,597	17,385
Withdrawal turnover		
-Increase by 10%	20,397	17,247
-Decrease by 10%	20,831	17,541

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14 ZAKAT

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

	SAR'000	
	31 December 2025	31 December 2024
Equity	230,479	347,685
Provisions and other adjustments	24,046	20,611
Net book value of long term assets	(24,387)	(16,700)
Investments	(72,821)	(61,154)
Statutory deposit	(43,650)	(43,650)
	113,667	246,792
Zakat	(2,930)	(6,379)
	SAR'000	
	31 December 2025	31 December 2024
Balance at the beginning of the year	8,479	11,622
(Reversed) / provided during the year	(410)	7,100
Payments during the year	(4,569)	(10,243)
Balance at the end of the year	3,500	8,479

Zakat base has been computed based on the Company's understanding of the Zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the ZATCA could be different from the declarations filed by the Company.

Status of assessments

Zakat and income tax returns have been filed with the Zakat, Tax and Custom Authority (the "ZATCA ") for the years ended up to 31 December 2024. Related certificate has been received from the ZATCA for the year ended 31 December 2024. ZATCA has completed their assessment up till 2020 and currently there are no on-going assessments/appeals. On 29th Oct 2025, ZATCA issued a notice for the year 2023 and closed the assessment without any amendments to the return. The Company has received a draft Zakat assessment for the year 2021, 2022 and 2024 and no final assessment issued till date. As at 31 December 2025, the Company has sufficient provisions to cover the possible outflow in this regard.

15 SHARE CAPITAL

As at 31 December 2025, the authorized, subscribed and paid up share capital of the Company was SAR 291 million (31 December 2024: SAR 291 million), divided into 29.1 million shares of SAR 10 each. The Company is currently not in compliance with Article 3(5) of the Cooperative Insurance Companies Control Law, which requires a minimum paid-up capital of SAR 300 million. The shareholders previously rejected the proposed capital increase of SAR 209 million; however, following the Insurance Authority's directive to submit a corrective plan, the Board has now recommended a revised capital increase of SAR 9 million through a rights issue to meet the minimum capital requirement, subject to regulatory and shareholder approvals.

The Company received, on August 27, 2025 the approval of the Insurance Authority to increase the Company's capital from 291,000,000 Riyals to 300,000,000 Riyals by issuing 900,000 ordinary shares and an amount of 9,000,000 Riyals, and Diar Al-Arabia Investment Company will subscribe for all new shares. The approval is valid for one year from its date, provided that the company fulfills all the requirements of other official authorities including CMA and Tadawul.

The Company has appointed Alistithmar for Financial Securities and Brokerage Company as its financial advisor with regards to the procedures of the potential Capital Increase.

The Company announced the signing of a subscription agreement between the Company and Diar Al-Arabia Investment Company on 29th January 2026 by offering 900,000 new ordinary shares representing (3.09%) of the Company's current capital, with a nominal value of 10 Saudi riyals per share.

Subsequent to the year end, On 15th February 2026, the Company has submitted an application to Capital Market Authority for the capital increase.

16 CONTINGENCIES AND COMMITMENTS

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. The Company did not have any significant outstanding legal proceedings as at the reporting date. There are no material commitments outstanding as at 31 December 2025.

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17 SEGMENTAL INFORMATION-(CONTINUED)

	For the year ended 31 December 2025						
	Medical	Motor	General Accident	Others	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000						
Insurance revenue	166,037	628,527	164,813	33,859	993,236	-	993,236
Insurance service expenses	(148,594)	(679,038)	(181,946)	(8,003)	(1,017,581)	-	(1,017,581)
Insurance service result before reinsurance contracts held	17,443	(50,511)	(17,133)	25,856	(24,345)	-	(24,345)
Amounts recoverable from reinsurance	71,778	(511)	2,648	12,532	86,447	-	86,447
Allocation of reinsurance premiums	(58,856)	(3,517)	(7,036)	-27,442	(96,851)	-	(96,851)
Net expenses from reinsurance contracts held	12,922	(4,028)	(4,388)	(14,910)	(10,404)	-	(10,404)
Share of Surplus from insurance pools					4,337	-	4,337
<u>INSURANCE REVENUE RESULT</u>	30,365	(54,539)	(21,521)	10,946	(30,412)	-	(30,412)
Commission income from financial assets measured at amortised costs					7,782	6,579	14,361
Changes in fair value of financial assets measured at FVTPL					-	(2,344)	(2,344)
Gain / (loss) on disposal of investments					-	6,035	6,035
Other investment income					-	2,204	2,204
Net ECL reversal on financial assets					283	47	330
Net investment income					8,065	12,521	20,586
Net finance expense from insurance contracts issued	62	(1,970)	37	(5)	(1,876)	-	(1,876)
Net finance income from reinsurance contracts issued	56	(9)	(2)	(3)	42	-	42
	118	(1,979)	35	(8)	(1,834)	-	(1,834)
Net insurance and investment result	30,483	(56,518)	(21,486)	10,938	(24,181)	12,521	(11,661)
Other income					142	-	142
Other operating expenses					(26,271)	(3,811)	(30,082)
Net (loss) / profit for the period, before zakat & attributable to the shareholders					(50,310)	8,710	(41,601)
Zakat reversal for the year					-	410	410
Net profit /(loss) attributable to shareholders.					(50,310)	9,120	(41,191)

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17 SEGMENTAL INFORMATION

	For the year ended 31 December 2024						
	Medical	Motor	General Accident	Others	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000						
Insurance revenue	176,524	611,174	67,871	27,784	883,353	-	883,353
Insurance service expenses	(222,490)	(566,850)	(81,627)	(7,795)	(878,762)	-	(878,762)
Insurance service result before reinsurance contracts held	(45,966)	44,324	(13,756)	19,989	4,591	-	4,591
Amounts recoverable from reinsurance	81,657	(1,313)	(3,205)	-13,999	63,140	-	63,140
Allocation of reinsurance premiums	(58,966)	(5,178)	(8,446)	-21,938	(94,528)	-	(94,528)
Net expenses from reinsurance contracts held	22,691	(6,491)	(11,651)	(35,937)	(31,388)	-	(31,388)
Share of Surplus from insurance pools					4,052	-	4,052
INSURANCE REVENUE RESULT	(23,275)	37,833	(25,407)	(15,948)	(22,745)	-	(22,745)
Commission income from financial assets measured at amortised costs					37,420	5,565	42,985
Other investment income					-	401	401
Fair value loss on investments					-	(491)	(491)
Net ECL charge on financial assets					(180)	(39)	(219)
Net investment income					37,240	5,436	42,676
Net finance income from insurance contracts issued	(234)	631	358	(15)	740	-	740
Net finance income from reinsurance contracts issued	86	19	(1)	2	106	-	106
	(148)	650	357	(13)	846	-	846
Net insurance and investment result	(23,423)	38,483	(25,050)	(15,961)	15,341	5,436	20,777
Other income					-	-	-
Other operating expenses					(25,633)	(4,527)	(30,160)
Net loss for the period, before zakat & income tax, attributable to the shareholders					(10,292)	909	(9,383)
Zakat charge for the period					-	(7,100)	(7,100)
Net loss attributable to shareholders.					(10,292)	(6,191)	(16,483)

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18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

Level 3: valuation techniques for which any significant input is not based on observable market data.

a) Carrying amount and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not considered to reasonably approximate fair value.

SAR'000s	Carrying Value	Level 1	Level 2	Level 3	Total
31 December 2025					
Investments measured at fair value through other comprehensive income					
<i>Unlisted securities</i>	72,821	-	-	72,821	72,821
Investments measured at fair value through profit or loss					
<i>-Mutual Funds</i>	408,446	209,684	198,762	-	408,446
<i>-Sukuks</i>	15,000	15,000	-	-	15,000
<i>-Unlisted Equity Securities</i>	15,206	-	-	15,206	15,206
	511,473	224,684	198,762	88,027	511,473

SAR'000'	Carrying Value	Level 1	Level 2	Level 3	Total
31 December 2024					
Investments measured at fair value through other comprehensive income					
<i>Unlisted securities</i>	61,154	-	-	61,154	61,154
Investments measured at fair value through profit or loss					
<i>Listed securities</i>	9,035	9,035	-	-	9,035
<i>Unlisted securities</i>	20,102	-	-	20,102	20,102
	90,291	9,035	-	81,256	90,291

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19 CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims, including both claims reported 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.

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.

Claims triangulation analysis is by accident years spanning a number of financial years:

Accident year or Underwriting year	SAR'000							TOTAL
	2019 & Earlier	2020	2021	2022	2023	2024	2025	
At the end of accident year	1,976,651	344,741	455,381	538,505	635,240	632,832	815,571	5,398,921
One year later	1,969,155	333,804	443,378	558,064	586,653	650,898	-	4,541,952
Two years later	1,972,407	336,280	443,906	566,530	586,355	-	-	3,905,478
Three years later	1,976,143	336,121	447,760	564,518	-	-	-	3,324,541
Four years later	1,910,387	338,383	446,047	-	-	-	-	2,694,817
Five years later	1,907,691	338,404	-	-	-	-	-	2,246,096
Six years later	1,839,713	-	-	-	-	-	-	1,839,713
Current estimate of cumulative claims	1,839,713	338,404	446,047	564,518	586,355	650,898	815,571	5,241,505
Ultimate payments to date	(1,838,623)	(337,281)	(443,398)	(559,146)	(576,552)	(631,805)	(664,502)	(5,051,307)
Liability recognized in statement of financial position	1,090	1,123	2,649	5,372	9,803	19,093	151,069	190,198
Loss component	-	-	-	-	-	2,657	41,908	44,566
Outstanding Claims	1,089	768	1,355	1,960	1,907	2,176	39,726	48,982

Accident year or Underwriting year	SAR'000							TOTAL
	2018 & Earlier	2019	2020	2021	2022	2023	2024	
At the end of accident year	1,588,731	387,920	344,741	455,381	538,505	635,240	632,832	4,583,350
One year later	1,577,139	392,016	333,804	443,378	558,064	586,653	-	3,891,054
Two years later	1,583,812	388,595	336,280	443,906	566,530	-	-	3,319,123
Three years later	1,588,138	388,005	336,121	447,760	-	-	-	2,760,024
Four years later	1,522,632	387,755	338,383	-	-	-	-	2,248,770
Five years later	1,517,184	390,507	-	-	-	-	-	1,907,691
Six years later	1,450,028	-	-	-	-	-	-	1,450,028
Current estimate of cumulative claims	1,450,028	390,507	338,383	447,760	566,530	586,653	632,832	4,412,693
Cumulative payments to date	(1,448,779)	(388,940)	(335,889)	(442,935)	(555,477)	(561,396)	(467,601)	(4,201,017)
Liability recognized in statement of financial position	1,249	1,567	2,494	4,825	11,053	25,257	165,231	211,676
Salvage and subrogation	5	-	1	8	74	-	-	88
Loss component	-	-	-	-	-	2,801	36,295	39,096
Outstanding Claims and Reserves	789	636	1,028	1,371	2,493	3,590	32,758	42,665

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20 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		31 December 2025	31 December 2024	31 December 2025	31 December 2024
		SAR'000			
Board of directors	Premium written	-	-	-	-
Affiliates	Premium written	3	4	-	-
	Claims paid/ payment received	-	-	-	-
Board and audit committee	Attendance fees	291	214	-	-

Remuneration and compensation of BOD Members and Top Executives

	SAR'000	
	BOD members (Non-Executive)	Top Executives including the CEO and CFO
2025		
Salaries and compensation	-	4,225
Allowances	291	-
End of service indemnities	-	1,766
	291	5,991
	SAR'000	
	BOD members (Non-Executive)	Top Executives including the CEO and CFO
2024		
Salaries and compensation	-	3,274
Allowances	214	-
End of service indemnities	-	1,587
	214	4,861

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21 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 IA in Article 68 of the Implementing Insurance 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 IA Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is not in compliance with externally imposed capital requirements having solvency margin of 65 %.The capital structure of the Company as at 31 December 2025 consists of paid-up share capital of SAR 291 million and accumulated losses of SAR 133.57 million (31 December 2024: paid-up share capital of SAR 291 million and accumulated losses of SAR 92.38 million.) in the statement of financial position.

22 RISK MANAGEMENT

The Company has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Adhering to this structure, the Company aims to meet its obligations to policyholders and other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations. The Company's Risk Committee has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk Committee is responsible for defining, installing and monitoring the risk management organisation in order to ensure that its control systems are effective. The Risk Committee approves all risk management policies, as well as the quantitative and qualitative elements of the Company's risk appetite and tolerance framework.

(a) Insurance risk

The Company provides medical, motor, medical malpractice, property, marine, domestic labor and other general insurance contracts in Saudi Arabia. Accordingly, the main insurance risk within the Company is that there are no sufficient reserves available to cover the liabilities associated with the insurance contracts issued. Actual claims may differ from the estimated ultimate claims. The Company seeks to manage this as follows:

22 RISK MANAGEMENT-(CONTINUED)

(a) Insurance risk-(Continued)

Estimate of present value of cash flows and risk adjustment for non-financial risk

• through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Company also has an external actuary to perform quarterly independent reviews of the reserves adequacy. Estimate of present value of cash flows and risk adjustment for non-financial risk, which are key components of the Company's insurance contract liabilities are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR"), claims handling provisions and risk adjustment for non-financial risk. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors. The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues.

• The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates.

• The Company continually reviews the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with consolidated financial statements to validate reserve adequacy.

Reinsurance

• The Company has a reinsurance arrangement to reduce its exposure through transfer of risk. During the years ended 31 December 2025 and 2024, the Group had Treaty reinsurance arrangement for medical and treaty & facultative arrangements for other general lines such as property, engineering and excess of loss arrangement for motor lines of business to reduce its exposure through partial transfer of insurance risk. The reinsurance premium ceded represents a minimal margin of the overall gross premium written. Reinsurance premium ceded reached 11% of gross premium written (2024: 11%)

• The reinsurers selected met IA's minimum acceptable rating of BBB from a reputable credit agency.

• Reinsurance ceded business does 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.

Pricing

• The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals for all lines of business.

Managing the concentration of insurance risk

• The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level.

22 RISK MANAGEMENT-(CONTINUED)

(a) Insurance risk-(Continued)

Process used to decide on assumptions

- Assumptions used in determining estimate of present value of cash flows are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth, driver age, driver history etc. and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Group may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.
- The estimation of present value of future cash flows related to incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the present value of future cash flows related to reported claims which are received but not yet settled with the providers. For the case of present value of future cash flows related to reported claims, the Company uses settled claims information to estimate present value of future cash flows related to IBNR. The Company seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information regarding settled claims.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions.

SAR'000	
31 December 2025	31 December 2024

Impact on equity and net income of change in claims ratio

5% increase	(39,441)	(28,262)
5% decrease	39,441	28,262

Impact on equity and net income of change in direct expense ratio-loss component

5% increase	(14,075)	142
5% decrease	14,075	(142)

Impact on equity and net income of change in risk adjustment for non financial risk

5% increase	510	286
5% decrease	(510)	(286)

(b) 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 the Company's activities.

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements. 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 risk rests with the Board of Directors.

This responsibility encompasses the controls in the following areas:

- 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.

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22 RISK MANAGEMENT-(CONTINUED)

(c) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Company adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Company's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels

Market risk comprises three types: interest rate risk, price risk and currency risk.

i) 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.

ii) Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 438.65 million (2024: SR 29.14 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments carried at fair value through Other comprehensive income on Company 's profit would be as follows:

	<u>Fair value change</u>	<u>Effect on Company's profit SR '000</u>	
2025	+/-10%	+/-10%	+/- 438.65
2024	+/-10%	+/-10%	+/- 29.14

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22 RISK MANAGEMENT-(CONTINUED)

iii) Currency risk

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

(c) 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 expected credit loss. 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 Company enters into reinsurance contracts with recognised, creditworthy third parties.

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

	SAR'000	
	2025	2024
Cash and cash equivalents	350,661	654,668
Investments measured at fair value through other comprehensive income	72,821	61,154
Investments measured at fair value through profit or loss	438,652	29,137
Reinsurance contract assets	44,778	68,420
Statutory deposit	43,650	43,650
Accrued commission on statutory deposit	1,162	1,253
	951,724	858,282

	Non investment Grade			Total
	Investment grade	Non Impaired	Impaired	
Cash and cash equivalents	350,661	-	-	350,661
Investments measured at fair value through other comprehensive income	72,821	-	-	72,821
Investments measured at fair value through profit or loss	438,652	-	-	438,652
Reinsurance contract assets	-	44,778	-	44,778
Statutory deposit	43,650	-	-	43,650
Accrued commission on statutory deposit	1,162	-	-	1,162
	906,946	44,778	-	951,724

	Non investment Grade			Total
	Investment grade	Non Impaired	Impaired	
Cash and cash equivalents	654,668	-	-	654,668
Investments measured at fair value through other comprehensive income	61,154	-	-	61,154
Debt instruments at amortised cost.	29,137	-	-	29,137
Reinsurance contract assets	-	68,420	-	68,420
Statutory deposit	43,650	-	-	43,650
Accrued commission on statutory deposit	1,253	-	-	1,253
	789,862	68,420	-	858,282

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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22 RISK MANAGEMENT-(CONTINUED)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds through premiums received and excess cash are available to meet any commitments as they arise

The table below summaries the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2025		
	Upto one year	More than one year	Total
Insurance contract liabilities	704,848	-	704,848
Lease liabilities	3,442	-	3,442
Accruals and other payables	38,982	-	38,982
Accrued commission on statutory deposit payable to IA	1,162	-	1,162
	748,434	-	748,434

	2024		
	Upto one year	More than one year	Total
Insurance contract liabilities	586,468	-	586,468
Lease liabilities	3,308	3,442	6,750
Accruals and other payables	21,039	-	21,039
Accrued commission on statutory deposit payable to IA	1,253	-	1,253
	612,068	3,442	615,510

(f) Liquidity Profile

All assets excluding financial assets at amortised cost, fixtures, furniture and equipment and right-of-use assets, intangible assets, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled before one year.

None of the financial liabilities on the statement of financial position are based on discounted cash flows, with exception of end-of-service benefits and lease liabilities and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

23 INSURANCE OPERATIONS' SURPLUS PAYABLE

	SAR'000	
	2025	2024
Balance at the beginning of the year	13,917	13,945
Surplus paid to policyholders during the year	(9,138)	(28)
Net surplus payable to policyholders	4,779	13,917

As a result of the adoption of IFRS 17, net surplus payable to policyholders is reported as part of insurance contract liabilities.

24 OTHER OPERATING COSTS

	SAR'000	
	2025	2024
Policy acquisition costs	123,645	102,247
Employees' costs	62,269	57,228
Rents, IT,utilities and maintenance costs	8,810	10,920
Professional and Legal expenses	2,964	3,697
Depreciation and amortisation	7,732	7,388
Marketing expenses and other	17,559	24,719
	222,979	206,199

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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24 OTHER OPERATING COSTS-(CONTINUED)

Allocation of expenses is as follows;

	2025			2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Policy acquisition costs*	140,906	-	140,906	102,247	-	102,247
Other attributable expenses*	51,991	-	51,991	73,792	-	73,792
Other operating expenses**	26,271	3,811	30,082	25,633	4,527	30,160
	219,168	3,811	222,979	201,672	4,527	206,199

*Reported part of insurance service expense

** Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts. This Includes auditors' remuneration for the statutory audit of Company's financial statements amounting to SR 1,103 thousands (2024: 875 thousands).

25 PREPAYMENTS AND OTHER RECEIVABLES

	SAR'000	
	31 December 2025	31 December 2024
Accrued income	8,618	6,226
Prepaid expenses	5,570	5,661
Other receivables	936	929
Guarantees	3,258	4,554
Miscellaneous	245	1,008
	18,627	18,378

26 ACCRUALS AND OTHER PAYABLES

	SAR'000	
	31 December 2025	31 December 2024
VAT Payable		
Accrued expenses	10,082	4,203
	28,900	16,836
	38,982	21,039

27 INSURANCE SERVICE EXPENSES

	2025				
	Medical	Motor	General Accident	Others	Total
Incurring claims and other directly attributable expenses	142,875	595,827	143,223	5,202	887,127
Losses on onerous contracts and reversal of those losses	(7,324)	12,435	359	-	5,470
Changes that relate to past service - adjustments to the LIC	(13,594)	(8,743)	11,224	(196)	(11,309)
Insurance acquisition cash flows amortization	26,637	79,519	27,140	2,997	136,293
	148,594	679,038	181,946	8,003	1,017,581

	2024				
	Medical	Motor	General Accident	Others	Total
Incurring claims and other directly attributable expenses	182,256	475,669	68,632	6,038	732,595
Losses on onerous contracts and reversal of those losses	16,280	14,116	5,862	-	36,258
Changes that relate to past service - adjustments to the LIC	(6,114)	(33,882)	(2,794)	(543)	(43,333)
Insurance acquisition cash flows amortization	30,068	110,947	9,927	2,300	153,242
	222,490	566,850	81,627	7,795	878,762

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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28 LOSS PER SHARE

Loss per share for the year has been calculated by dividing the net loss for the year by the weighted average number of issued and outstanding shares at year end.

The basic and diluted earning per share is calculated as follows:

	31 December 2025	31 December 2024
Net Loss for the year (SAR in '000)	(41,190)	(16,483)
Weighted average number of ordinary shares outstanding in ('000)	29,100	29,100
Basic and diluted loss per share. (in SAR)	(1.42)	(0.57)

29 SUBSEQUENT EVENTS

Subsequent to the year end, the Company announced subscription agreement for Capital increase. For further details, refer to the Note number 15.

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.

30 COMPARATIVE FIGURES

During the year, certain items have been reclassified to ensure consistency of presentation. These reclassifications do not have material impact on the financial statements.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 12 March 2026 (corresponding to Ramadan 23, 1447 AH).

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)-(CONTINUED)

AS AT 31 DECEMBER 2025

32 SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

	SAR '000					
	31 December 2025			31 December 2024		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>ASSETS</u>						
Cash and cash equivalents	184,193	166,468	350,661	521,624	133,044	654,668
Investments	487,868	23,605	511,473	-	90,291	90,291
Reinsurance contract assets	44,778	-	44,778	68,420	-	68,420
Prepayments and other receivables	18,382	245	18,627	18,187	191	18,378
Right-of-use asset, net	4,231	-	4,231	7,543	-	7,543
Statutory deposit	-	43,650	43,650	-	43,650	43,650
Accrued income on statutory deposit	-	1,162	1,162	-	1,253	1,253
Property and equipment, net	6,928	-	6,928	3,544	-	3,544
Intangible assets, net	13,228	-	13,228	6,782	-	6,782
TOTAL ASSETS	759,608	235,130	994,738	626,100	268,429	894,529
<u>LIABILITIES</u>						
Insurance contract liabilities	704,848	-	704,848	586,468	-	586,468
Employees' terminal benefits	20,604	-	20,604	17,389	-	17,389
Lease liabilities	3,442	-	3,442	6,750	-	6,750
Provision for zakat and income tax	-	3,500	3,500	-	8,479	8,479
Accruals and other payables	36,847	2,135	38,982	20,197	842	21,039
Accrued income on statutory deposit payable to Insurance Authority	-	1,162	1,162	-	1,253	1,253
TOTAL LIABILITIES	765,741	6,797	772,538	630,804	10,574	641,378
<u>EQUITY</u>						
Share capital	-	291,000	291,000	-	291,000	291,000
Accumulated losses	-	(133,569)	(133,569)	-	(92,379)	(92,379)
Fair values reserve on investments	-	70,902	70,902	-	59,234	59,234
Re-measurement reserve of employees' terminal benefits	(6,133)	-	(6,133)	(4,704)	-	(4,704)
TOTAL EQUITY	(6,133)	228,333	222,200	(4,704)	257,855	253,151
TOTAL LIABILITIES AND EQUITY	759,608	235,130	994,738	626,100	268,429	894,529

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)-(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

32 SUPPLEMENTARY INFORMATION (CONTINUED)

STATEMENT OF INCOME

	SAR '000					
	For the year ended					
	31 December 2025			31 December 2024		
Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total	
Insurance revenue	993,236	-	993,236	883,353	-	883,353
Insurance service expenses	(1,017,581)	-	(1,017,581)	(878,762)	-	(878,762)
Insurance service result before reinsurance contracts held	(24,345)	-	(24,345)	4,591	-	4,591
Amounts recoverable from reinsurance	86,447	-	86,447	63,140	-	63,140
Allocation of reinsurance premiums	(96,851)	-	(96,851)	(94,528)	-	(94,528)
Net expenses from reinsurance contracts held	(10,404)	-	(10,404)	(31,388)	-	(31,388)
Share of Surplus from insurance pools	4,337	-	4,337	4,052	-	4,052
Insurance service result	(30,412)	-	(30,412)	(22,745)	-	(22,745)
Commission income from financial assets measured at amortised costs	7,782	6,579	14,361	37,420	5,565	42,985
Changes in fair value of financial assets measured at FVTPL	-	(2,344)	(2,344)	-	401	401
Gain / (loss) on disposal of investments	-	6,035	6,035	-	(491)	(491)
Other investment income	-	2,204	2,204	-	-	-
Net ECL reversal / (charge) on financial assets	283	47	330	(180)	(39)	(219)
Net investment income	8,065	12,521	20,586	37,240	5,436	42,676
Net finance expenses from insurance contracts issued	(1,876)	-	(1,876)	740	-	740
Net finance income from reinsurance contracts held	42	-	42	106	-	106
Net insurance finance income	(1,834)	-	(1,834)	846	-	846
Net insurance and investment result	(24,181)	12,521	(11,660)	15,341	5,436	20,777
Other income	142	-	142	-	-	-
Other operating expenses	(26,271)	(3,811)	(30,082)	(25,633)	(4,527)	(30,160)
Net (loss) /profit for the year, before zakat & income tax, attributable to the shareholders	(50,310)	8,710	(41,600)	(10,292)	909	(9,383)
Zakat charged during the year	-	410	410	-	(7,100)	(7,100)
Net (loss) / profit for the year, after zakat & income tax, attributable to shareholders	(50,310)	9,120	(41,190)	(10,292)	(6,191)	(16,483)
Other comprehensive income:						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
- Net change in fair value of FVOCI Investments	-	11,667	11,667	-	17,691	17,691
- Actuarial losses on employees' terminal benefits	(1,429)	-	(1,429)	-	(502)	(502)
Total other comprehensive income for the year	(1,429)	11,667	10,238	-	17,189	17,189
Total comprehensive (loss) / income for the year	(51,739)	20,787	(30,952)	(10,292)	10,998	706