



Prepared by Mediterranean and Gulf Insurance and Reinsurance Co. ("Medgulf") and addressed to its shareholders in accordance with the requirements of Article (60) of the Rules on the Offer of Securities and Continuing Obligations ("ROSCOs") regarding the increase of the share capital of Medgulf for purpose of the merger of Buruj Cooperative Insurance Co. ("Buruj") into Medgulf in accordance with Articles (225) and (227) to (229) of the Companies Law and the provisions of subparagraph (I) of Paragraph (A) of Article (49) of the M&A Regulations.

This Shareholders' Circular (the "Circular") has been prepared by Medgulf in accordance with the requirements of Article (60) of the ROSCOs regarding the increase of the share capital of Medgulf from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion, three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyals (SAR 1,381,578,940), and the increase of its number of shares from one hundred five million (105,000,000) ordinary shares to one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) ordinary shares, representing an increase of (31.58%) in Medgulf's current share capital. The share capital will be increased for the purpose of the merger of Buruj into Medgulf and transferring all of its rights, obligations, assets, and contracts to Medgulf in accordance with Article (225) and Articles (227) to (229) of the Companies Law and the provisions of subparagraph (I) of paragraph (A) of Article (49) of the M&A Regulations (the "Merger") in consideration for Medgulf issuing thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares, each with a nominal value of ten (10) Saudi Riyals, in favor of Buruj's shareholders (the "Consideration Shares").

Buruj Cooperative Insurance Company is a Saudi joint stock company listed on the Saudi Exchange (Tadawul), with its head office located in Riyadh, and registered in the commercial register under unified number (7001617724) dated 10/02/1431H (corresponding to 25/01/2010G), and licensed by the Insurance Authority ("IA") under license number (TMN /28/20105) dated 15/06/1431H (corresponding to 29/05/2010G) to practice insurance business activity, and has a share capital of three hundred million (300,000,000) Saudi riyals, divided into thirty million (30,000,000) ordinary shares. For more information about Buruj, please refer to Section (3.7) ("Overview of Buruj Operations") and Section (4) ("Financials and Discussion of Management's Analysis").

Medgulf entered into the binding merger agreement with Buruj on 01/02/1447H (corresponding to 26/07/2025G) (the "Merger Agreement"), under which the shareholders of Buruj that are registered in Buruj's shareholders' register at the end of the second trading period following the issuance of the approval of Medgulf's Merger EGM and Buruj's Merger EGM (hereinafter referred to as

"Issuance of Merger Resolution"), will receive (1.1052631333333333) Medgulf shares for each share owned by them in Buruj (the "Exchange Ratio"). On 02/02/1447H (corresponding to 27/07/2025G), Medgulf announced entering into the Merger Agreement and its firm intention to make an offer regarding the Merger.

Upon the fulfillment of all the conditions of the Merger Agreement and Effectiveness of the Merger Resolution, Medgulf will survive, while Buruj will be dissolved by force of law and all of its shares will be cancelled in accordance with provisions of Articles (225) and Articles (227) to (229) of the Companies Law and the provisions of subparagraph (I) of Paragraph (A) of Article (49) of the M&A Regulations. In addition, all Buruj's rights, obligations, assets and contracts will be transferred to Medgulf by force of law. For more details on the terms and conditions of the Merger, please refer to Section (5.2.2) ("Procedures Required for the Issuance and Effectiveness of the Merger Resolution"). It should be noted that the Effectiveness of the Merger Resolution is conditional upon obtaining the approval of Medgulf's Merger EGM and the approval of Buruj's Merger EGM, the fulfillment of the other conditions of the Merger, and the registration of the particulars of the Merged Company in the commercial registration of the Merging Company. (For more details about the conditions of the Merger, please refer to (5.2.6.1) ("The Conditions of Merger Agreement") and Section (5.2.2) ("Procedures Required for the Issuance and Effectiveness of the Merger Resolution"). The Merger is subject to the conditions set out in the Merger Agreement as summarized in Section (5.2.6) ("Summary of Merger Agreement"), noting that such conditions may not be amended or waived without the written approval of the companies or with the approval of the company benefiting from the condition, as applicable.

Medgulf hereby confirms its ability to settle and fulfill its debts in accordance with the provisions of Paragraph (2) of Article (225) of the Companies Law, and Medgulf also confirms the ability of Buruj to do so based on the information provided by it. The Companies have announced the Merger and the objection procedures of creditors of Buruj, in accordance with Article (227) of the Companies Law, at least thirty (30) days prior to the holding of the extraordinary general assembly meeting of both companies to vote on the merger resolutions, so that such creditors shall have a period of fifteen (15) days from the date of the announcement to express any objections in accordance with the provisions of Article (227) of the Companies Law, as per the mechanism specified in the announcement ("Creditors' Objection Period"). Buruj shall settle the debt of the objecting creditor, if such debt is due and payable, or provide sufficient warranty to settle the debt if it is deferred. If a creditor notifies Buruj of their objection to the Merger during the Creditors' Objection Period and Buruj fails to settle the debt if it is due or fails to provide such Creditor with sufficient warranty to settle the same if it is deferred, then such creditor may apply to the competent judicial authority within a period of no less than ten (10)

days before the date set for voting on the Merger resolutions. In this case, the competent judicial authority may order the payment of the debt if it is due or the provision of a warranty to settle the debt if it is deferred. If the competent judicial authority deems that the Merger will result in serious harm to the objecting creditor without both Companies being able to settle the debt or provide the warranty, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. If the competent judicial authority does not decide on the creditor's objection before the Effectiveness of the Merger Resolution, and it subsequently finds that the objecting creditor's claim is valid, the competent judicial authority may issue a decision to compensate such creditor for the damages suffered by it as a result of the Merger.

All Medgulf's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current Medgulf's shares with the same rights they enjoy including voting rights and rights to receive dividends. The holders of Consideration Shares will have the right to receive dividends declared by Medgulf following the date of the issuance of Merger Resolution according to the due date for each declared dividend. After issuing the Consideration Shares, the ownership of current Medgulf's shareholders will constitute (76%) of Medgulf's share capital, while Buruj's shareholders will own approximately (24%) of Medgulf's share capital. For more details about the Merger impact and reasons, please refer to Section (3.2) ("The Rationale and Motives for the Merger").

The total value of the Merger will be determined based on the value of the Consideration Shares. The total nominal value of the Consideration Shares is three hundred thirty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyals (SAR 331,578,940). The total market value of the Consideration Shares amounts to five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), based on the closing price of Medgulf's share of seventeen Saudi Riyals and sixty-three halalas (SAR 17.63) as at 29/01/1447H (corresponding to 24/07/2025G), which is the last trading day prior to the announcement of entering into the Merger Agreement. The total value of Consideration Shares that will be subsequently recorded on the financials Medgulf will be determined based on the closing price of Medgulf's share on the last trading day prior to the date of the issuance of the Consideration Shares.

Medgulf's share capital is one billion fifty million Saudi Riyals (SAR 1,050,000,000), divided into one hundred five million (105,000,000) fully paid ordinary shares, with a nominal value of ten (10) Saudi Riyals per share, and listed on the Saudi Exchange (Tadawul).

The following table shows the ownership details of Medgulf and Buruj before and after the Issuance of Merger Resolution and the deposit of the Consideration Shares, as of market close on 05/01/1447H (corresponding to 30/06/2025G).

| Shareholder                                                                                      | Before the Issuance of Merger Resolution |                           |                      |                         | After the Issuance of the Merger Resolution and Deposit of Consideration Shares |                           |                      |                         |
|--------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------|-------------------------|
|                                                                                                  | # of Shares in Medgulf                   | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj | # of Shares in Medgulf                                                          | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj |
| <b>Shareholders in Medgulf</b>                                                                   |                                          |                           |                      |                         |                                                                                 |                           |                      |                         |
| Rakan Abdullah Rashid Abunayyan                                                                  | 12,657,856                               | 12.0551%                  | None                 | None                    | 12,657,856                                                                      | 9.1619%                   |                      |                         |
| The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain) | 11,987,500                               | 11.4167%                  | None                 | None                    | 11,987,500                                                                      | 8.6767%                   |                      |                         |
| The Saudi Investment Bank                                                                        | 19,950,000                               | 19.000%                   | None                 | None                    | 19,950,000                                                                      | 14.4400%                  |                      |                         |
| Current Members of the Board of Directors of Medgulf <sup>(1)</sup>                              | 6,666                                    | 0.0063%                   | None                 | None                    | 6,666                                                                           | 0.0048%                   |                      |                         |
| Senior Executives of Medgulf                                                                     | None                                     | None                      | None                 | None                    | None                                                                            | None                      |                      |                         |
| Other Shareholders <sup>(2)</sup>                                                                | 1,750,437                                | 1.6671%                   | None                 | None                    | 1,750,437                                                                       | 1.2670%                   |                      |                         |
| Public <sup>(3)</sup>                                                                            | 58,647,541                               | 55.8548%                  | N/A                  | N/A                     | 58,647,541                                                                      | 42.4496%                  |                      |                         |
| <b>Total <sup>(4)</sup></b>                                                                      | <b>105,000,000</b>                       | <b>100.0000%</b>          | <b>None</b>          | <b>None</b>             | <b>105,000,000</b>                                                              | <b>76.0000%</b>           |                      |                         |

Not applicable because it will be merged into Medgulf



| Shareholder                                                       | Before the Issuance of Merger Resolution |                           |                      |                         | After the Issuance of the Merger Resolution and Deposit of Consideration Shares |                           |                      |                                                       |
|-------------------------------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------|-------------------------------------------------------|
|                                                                   | # of Shares in Medgulf                   | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj | # of Shares in Medgulf                                                          | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj                               |
| <b>Shareholders in Buruj</b>                                      |                                          |                           |                      |                         |                                                                                 |                           |                      |                                                       |
| Yasser Yousuf Mohamed Naghi                                       | None                                     | None                      | 3,450,000            | 11.5000%                | 3,813,157                                                                       | 2.7600%                   |                      |                                                       |
| Gulf Medical Co. Ltd. <sup>(3)</sup>                              | None                                     | None                      | 1,500,000            | 5.0000%                 | 1,657,894                                                                       | 1.2000%                   |                      |                                                       |
| Cigalah Multi-Industries Company <sup>(4)</sup>                   | None                                     | None                      | 8,550,000            | 28.5000%                | 9,449,999                                                                       | 6.8400%                   |                      |                                                       |
| Al Yusr Investment Gates Company <sup>(5)</sup>                   | None                                     | None                      | 1,500,000            | 5.0%                    | 1,657,894                                                                       | 1.2000%                   |                      |                                                       |
| Current Members of the Board of Directors of Buruj <sup>(1)</sup> | None                                     | None                      | 2,807                | 0.0094%                 | 3,102                                                                           | 0.0022%                   |                      | Not applicable because it will be merged into Medgulf |
| Senior Executives of Buruj                                        | None                                     | None                      | None                 | None                    | None                                                                            | None                      |                      |                                                       |
| Other Shareholders <sup>(6)</sup>                                 | None                                     | None                      | 900,000              | 3.0000%                 | 994,736                                                                         | 0.7200%                   |                      |                                                       |
| Public                                                            | N/A                                      | N/A                       | 14,097,193           | 46.9906%                | 15,581,112                                                                      | 11.2778%                  |                      |                                                       |
| <b>Total</b>                                                      | <b>None</b>                              | <b>None</b>               | <b>30,000,000</b>    | <b>100%</b>             | <b>33,157,894</b>                                                               | <b>24.00%</b>             |                      |                                                       |

Note: Percentages are approximate.

(1) The shareholding of Rakan Abdullah Rashid Abunayyan (Chairman of the Board of Medgulf) and Yasser Youssef Mohammed Naghi (Chairman of the Board of Buruj) has not been included in the Board members' shareholding clause, as they are directly included in the table.

(2) This item includes the following persons and entities:

- The Mediterranean and Gulf Insurance and Reinsurance Company S.A.L. (Lebanon), which owns 1,050,000 shares in Medgulf, representing 1% of Medgulf's current share capital. It was included in this item because it is 100% owned by The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain).
- Mr. Lutfi Fadel Al Zain, who owns 437 shares in Medgulf, representing 0.0004% of Medgulf's current share capital. He was included in this item because he Controls one of Medgulf's substantial shareholders, the The Mediterranean and Gulf Insurance and Reinsurance Company (MedGulf) B.S.C. (Closed) (Bahrain), as he Controls 58.42% of this Substantial Shareholder through Lutfi Fadel El Zein Holding SAL Company which he and his relatives wholly own.
- Lutfi Fadel El Zein Holding SAL Company, which is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives, which own 700,000 shares in Medgulf, representing 0.6667% of Medgulf's current share capital. It was included in this item because it is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives.

(3) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 56% of the share capital of Gulf Medical Co. Ltd.

(4) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 90% of the share capital of Cigalah Multi-Industries Company.

(5) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 33.33% of the share capital of Al Yusr Investment Gates Company.

(6) This item includes Cigalah Trading Establishments owned by Yasser Yousuf Mohamed Naghi, which own 900,000 shares in Buruj representing 3% of Buruj's share capital. They were included in this item because their liabilities are consolidated with Yasser Yousuf Mohamed Naghi (a Substantial Shareholder) as they are single proprietorship and therefore considered entities owned fully by him. Based on the aforementioned, the indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf.

(7) The public ownership and the total ownership of each company are represented individually to clarify the impact on each category and company separately. For more details on the total public ownership in Medgulf after the Issuance of the Merger Resolution and the deposit of the Consideration Shares, please refer to Table (1.3) ("Medgulf shareholding structure before and after the capital increase").

The Merger does not involve any Related Parties. None of the members of the Board of Directors of Medgulf have any interest in the Merger and Buruj has confirmed that none of the members of its Board of Directors have any interest in the Merger.

Medgulf has submitted an application to the Capital Market Authority for the registration and offering the Consideration Shares, and submitted simultaneously an application the Saudi Exchange (Tadawul) for the listing of the Consideration Shares. The CMA's approval was obtained on 30/03/1447H (corresponding to 22/09/2025G) while the Saudi Exchange (Tadawul) approval was obtained on 22/03/1446H (corresponding to 14/09/2025G), and all requirements of the CMA and the Saudi Exchange (Tadawul) have been satisfied. Other than obtaining the non-objection of the Ministry of Commerce on the bylaws' amendments, obtaining the CMA's approval on inviting the Merger EGAs of Medgulf and Buruj, obtaining the required approvals of Medgulf's Merger EGM and Buruj's Merger EGM, and obtaining the Ministry of Commerce' approval to update the commercial registration, all the regulatory approvals related to the Merger and Medgulf's Capital Increase have been obtained (for more details in this regard, please refer to Section (5.2.2) ("Procedures Required for the Issuance and Effectiveness of the Merger Resolution").

This Circular includes information which has been provided as part of the application for listing and offering securities in compliance with the ROSCOs issued by the Capital Market Authority of Saudi Arabia (the "CMA") and the application for listing securities as per requirements of the Listing Rules of the Saudi Exchange. The board members, whose names appear in this Circular, collectively and individually assume the full responsibility for the accuracy of information contained in this Circular. They also confirm, after conducting all the possible and reasonable studies, that to the

best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained herein misleading. The CMA and the Saudi Exchange shall not assume any responsibility for the contents of this Circular, do not make any confirmations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

As an exception from the above declaration, neither Medgulf nor its directors, executives or employees will assume any responsibility for the accuracy of information relating to Buruj or its shareholders and directors as contained in this Circular. All this information has been provided by Buruj in connection with the Merger through the due diligence examinations conducted by Medgulf to Buruj. Additionally, it should be noted that, pursuant to the Merger Agreement, Buruj is obliged to provide Medgulf with all information relating to Buruj required for the purpose of preparing this Circular. Buruj has also provided, under the Merger Agreement, a warranty to Medgulf (as is customary in such agreements) related to the correctness and completeness of the information (in all material aspects) submitted to Medgulf regarding the Merger as on the date of submission of such information, including the information submitted during the stage of conducting the professional due diligence exercise and preparing Merger-related documents including this Circular. Buruj also warrants and represents that the information submitted is not misleading in all material aspects. Buruj also represented under the Merger Agreement that it did not conceal any material information related to the Merger from Medgulf.

The members of the Medgulf board believe that the Merger is in the best interests of Medgulf and its shareholders, having done the necessary due diligence, with support of their advisers. They also believe that the Merger is suitable in the current circumstances, after taking into consideration the market position on the date of the publication of this Circular in addition to the future growth opportunities of Medgulf and Buruj and

expected benefits of the Merger, and based on the opinion provided by HSBC Saudi Arabia on 29/01/1447H (corresponding to 24/07/2025G) (being Medgulf's financial adviser in relation to the Merger) to Medgulf's board of directors (a copy thereof attached as Annex 2 hereof), which states that as at the date of the opinion provided and in accordance with the factors and assumptions set forth therein, the Exchange Ratio agreed under the Merger Agreement was fair from a financial point of view to Medgulf and its Shareholders

**The shareholders must read this Circular fully and review all its sections carefully; particularly the "Important Notice" section and section (1) "Risk Factors", before voting on Medgulf's Merger EGM.**

Medgulf has appointed HSBC Saudi Arabia as its financial advisor in connection with the Merger.

Financial Adviser



This Shareholders' Circular was published on: 06/04/1447H (corresponding to 28/09/2025G). It was prepared in both Arabic and English. Arabic shall be the official language of the Circular. In case of any discrepancy between the Arabic and English texts, the Arabic text shall prevail.



## Important Notice

This Circular has been prepared by Medgulf pursuant to requirements of Article (60) of ROSCOs regarding the Capital Increase of Medgulf for the purpose of the merger of Buruj into Medgulf in consideration of Medgulf issuing the Consideration Shares to the shareholders of Buruj in accordance with Article (225) and Articles (227-229) of the Companies Law and provisions of subparagraph (1) and paragraph (A) of Article (49) of the M&A Regulations. The purpose of this Circular is to provide Medgulf's Shareholders with information in order to assist them in making an informed decision when voting at Medgulf's Merger EGM on the recommendation of Medgulf's board of directors regarding Capital Increase for the purpose of merging Buruj in whole into Medgulf; noting that Medgulf shareholders' approval of the Merger according to the duly required quorum is one of the conditions of the Merger. By the publication of this Circular, Medgulf's shareholders are deemed to be fully aware of the information contained in this Circular and their decisions and votes in Medgulf's Merger EGM shall be considered to be made accordingly. Copies of this Circular can be obtained from Medgulf's website ([medgulf.com.sa](http://medgulf.com.sa)), the CMA's website ([cma.org.sa](http://cma.org.sa)), or the Saudi Exchange's (Tadawul) website ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

The CMA and the Saudi Exchange (Tadawul) shall not assume liability for the contents of this Circular, and shall not give any confirmations concerning its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this Circular or from reliance on any part thereof.

The information and statements contained in this Circular were provided in the date of the issuance of this Circular unless another date is determined for any information or statements contained in this Circular. Consequently, this information is subject to change after the date of the publication of this Circular. Accordingly, publication of this Circular does not necessarily mean that none of the facts or information contained in this Circular on Medgulf or on Buruj have changed. Any information contained in this Circular should not be considered as expectations or projections on the future financial performance of Medgulf or Buruj, nor should any statement in this Circular be considered as a confirmation that future earnings per Medgulf share will match or exceed the earnings per share reported by Medgulf or Buruj in previous fiscal periods. For more details on the risks related to the Merger, specifically concerning Buruj, please refer to Section (1) "**Risk Factors**", which shareholders should carefully review.

Medgulf will not amend or update any projection or forward-looking statement contained herein, except as required by the applicable laws and regulations. Medgulf shall prepare and publish a supplementary shareholders' circular after its submission to, and approval of, the CMA, only upon becoming aware at any time after the date of publication of this Circular and before Medgulf's Merger EGM of any of the following: (1) there is a significant change in material matters contained in this Circular, and (2) the emergence of any important matters that should have been included in this Circular.

It should be noted that no person was authorized to provide any information or to make any representations on behalf of Medgulf's board of directors except what is declared in this Circular. Therefore, no information or statements from other parties should be construed as information or statements of Medgulf or HSBC Saudi Arabia or any adviser of Medgulf in relation to the Merger.

All the information contained in this Circular is of a general nature and has been prepared without regard to the individual investment objectives, the financial situation or the investment needs of any specific shareholder. Therefore, Medgulf and its board of directors confirm that Medgulf's shareholders should read and carefully consider all information contained in this Circular, and if there is a doubt about the action any shareholder should take at Medgulf's Merger EGM, such shareholder shall consult an independent financial adviser licensed by the CMA and should rely on their own review of the Merger to ensure suitability of the Merger and the information herein with regard to the investment objectives and his financial situation.

This Circular is not and may not be construed as legal, financial, zakat-related or tax advice. If there is a doubt about the legal, financial, zakat-related or tax consequences, impacts or provisions, specialized advice from licensed legal, financial and tax advisers should be obtained in this regard.



Medgulf has appointed HSBC Saudi Arabia as the Medgulf's financial advisor in connection with the Merger. HSBC Saudi Arabia, a financial institution licensed by the CMA to operate in the Kingdom of Saudi Arabia, is the sole Financial Adviser of Medgulf in relation to the Merger, and shall not be liable towards any party except for Medgulf when giving advice on the Merger or any other issue referred to in this Circular. Moreover, HSBC Saudi Arabia or other advisers referred to in Section ("Corporate Directory") did not independently verify the correctness and accuracy of the information contained in this Circular accordingly, such, those advisers, or any of their affiliates, managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to his reliance on any information included in this Circular, or due to incorrect, inaccurate, or incomplete information contained in this Circular.

## Forward-looking Forecasts and Statements

This Circular contains certain forecasts and forward-looking statements. Such forecasts and forward-looking statements may be identified by the use of forward-looking words such as "anticipate", "strive", "aim", "expect", "estimate", "intend", "plan", "will", "believe", "seek", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this Document include, without limitation, statements relating to the following: (i) expected benefits from the Merger, future forecast of financial performance and conditions, and other future events; (ii) business and management strategies and the expansion and growth of the operations of Medgulf following the Merger; and (iii) the Merger and the dates on which events are expected to occur. The forward-looking statements appearing in this Circular reflect the current the current perspective of Medgulf and its management. They are based on numerous assumptions, including assumptions regarding the present and future business strategies of Medgulf and the regulatory environment in which it will operate in the future. Forecasts and forward-looking statements are not a promise, or a guarantee of future events given several visible and invisible factors that may have impact on future events, causing them to be materially different from the expectations, expressed or implied by this Circular. The risks relating to forward-looking statements are beyond Medgulf's control and cannot be estimated precisely, such as future market conditions and the behaviors of other market participants. Therefore, the recipient of this Circular should read these forecasts and forward-looking statements in view of this notice without reliance thereon. For more details on the risks related to the Merger, specifically those related Buruj, please refer to Section (1) "**Risk Factors**", which shareholders should carefully review.

All oral or written forecasts and forward-looking statements made by Medgulf or any person acting on its behalf are expressly subject in their entirety to the Important Notice contained in this Section.

## Restrictions related to Publication and Distribution of Shareholders' Circular

This Circular is addressed to Medgulf shareholders, subject to any restriction under the laws and regulations of any Restricted Jurisdiction. This Circular does not constitute a sale offer or purchase order for any securities to any person in any jurisdiction wherein the applicable laws do not permit making such offer or order.

## Notice to Shareholders of Medgulf Residing Outside Saudi Arabia

While all shareholders of Medgulf are entitled to attend the Medgulf's Merger EGM and to vote on its resolutions (subject to any restrictions that may be imposed by law or any other restrictions under the laws applicable in Saudi Arabia), shareholders of Medgulf residing outside Saudi Arabia should note that this Circular has not been submitted or registered with any regulatory authority outside Saudi Arabia. Accordingly, if any shareholder of Buruj resides in any country whose laws require Medgulf to take any steps so that the shareholder may vote on the Merger Resolutions in a lawful manner, please be aware that Medgulf has not taken such steps and therefore the shareholder concerned should not participate in voting on the proposed resolutions at Buruj's Merger EGM. In the event that the shareholder concerned votes on the merger resolutions nonetheless, Medgulf may, in agreement with Buruj, decide not to proceed with the Merger, unless the Merger has been approved by the required majority of shareholders of Buruj, excluding the votes of the shareholder concerned.

## Financial and Other Information

Medgulf's and Buruj's audited financials for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as accredited in Saudi Arabia and other standards and versions issued by SOCPA. Additionally, it should be noted that some financial information contained herein is based on management estimates and has not been independently audited by the Certified Accountants or others. Save as disclosed otherwise, all financial information is set out in SAR.

Buruj has adopted IFRS 17 "Insurance Contracts," as accredited in the Kingdom of Saudi Arabia. This standard replaces IFRS 4 "Insurance Contracts" and is effective for annual reporting periods beginning on or after 1 January 2023G. IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts, reinsurance contracts, and investment contracts with direct participation features.

Figures presented may differ from their total values when added and / or calculated as a results of rounding. It should be noted that this Circular contains percentages and ratios, which are approximate figures and percentages for presentation purposes. Additionally, the ownership percentages after the Issuance of Merger Resolution and the deposit of the Consideration Shares have been calculated based on the total number of shares, without taking into account the ownership of any shareholder of Buruj or Medgulf (as the case may be) in the other company before the Issuance of Merger Resolution.

This Circular has been prepared in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, and the type and presentation of the information contained therein may vary if prepared in accordance with the regulations of another jurisdiction. Medgulf does not intend to take any action to publish or register this Circular or the Consideration Shares in any jurisdiction other than the Kingdom of Saudi Arabia. The Merger relates to securities of Saudi companies listed on the Saudi Exchange (Tadawul), and therefore this Circular and any other documents or announcements related to the Merger have been and will be prepared in accordance with the disclosure requirements applicable in the Kingdom of Saudi Arabia only, which may differ from those applicable in other jurisdictions.

## Sector and Market Information

The Market-related information and data set forth in Section (2) ("**Insurance market and sector information in the Kingdom of Saudi Arabia**") have been obtained from BADRI for Actuarial Services, acting as the market advisor. BADRI is a leading global consultancy firm that provides a wide range of services to clients across the Middle East and beyond. BADRI is one of the largest actuarial firms in the Kingdom of Saudi Arabia and the GCC, with extensive experience in mergers and acquisitions transactions and market advisory services in the region. For more information about the market advisor, please visit the market advisor's website at ([www.badriconsultancy.com](http://www.badriconsultancy.com)).

The market information is of general nature and does not constitute a guarantee regarding the nature of the market, the sector, or their future trends. Such information is subject to continuous change and will not be updated by Medgulf. Neither Medgulf nor its directors, employees and other advisers have independently validated the information and data contained in this Circular. Accordingly, no representation or warranty is made or implied as to the accuracy or completeness of the information contained in this Circular and those parties shall not assume any liability as to the accuracy or completeness of that information.

## Corporate Directory

### Issuer

#### The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company

Al Maather Street, El Futuro Tower,  
King Saud Rd  
P. O. Box 2302, Riyadh 11451  
Kingdom of Saudi Arabia  
Tel: +966 (11) 4055555  
Fax: +966 (11) 4055588  
Email: service@Medgulf.com.sa  
www.medgulf.com.sa



### Issuer Representatives

#### Rakan Abdullah Rashid Abunayyan

Chairman  
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King Saud Rd  
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Website: www.medgulf.com.sa

#### Umar bin Abdulrahman Al Mahmoud

CEO  
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Kingdom of Saudi Arabia  
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Fax: N/A  
Email: Umar.AlMahmoud@Medgulf.com.sa  
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### Medgulf's Financial Adviser

#### HSBC Saudi Arabia

HSBC Saudi Arabia Building  
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Kingdom of Saudi Arabia  
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Fax: +996(11)2992385  
Email: projectmetishsbc@hsbc.com  
Website: www.hsbcSaudi.com



### Medgulf's Legal Advisor

#### Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)

17th floor, Tower B, Olaya Towers, Al Olaya  
P.O. Box 230667 Riyadh 11321  
Kingdom of Saudi Arabia  
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Fax: +996 (11) 4618799  
Email: info@khoshaim.com  
Website: www.khoshaim.com



**Medgulf's financial, tax, zakat, and actuarial due diligence adviser****KPMG Professional Consulting**

Zahrán Business Center  
 Prince Sultan Rd  
 P.O. Box 55078, Jeddah 21534  
 Kingdom of Saudi Arabia  
 Tel: +966 (12) 6989595  
 Fax: +966 (12) 6989494  
 Email: marketingsa@kpmg.com  
 Website: www.kpmg.com.sa

**Market Advisor****BADRI for Actuarial Services**

Office 36, King Abdulaziz Rd, Ar Rabi  
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**Auditor of Medgulf for the fiscal years ended 31 December 2022, 31 December 2023, and 31 December 2024, and author of the limited assurance report in relation to the pro forma financials****Al Kharashi & Co. Certified Accountants and Auditors**

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**Medgulf's Auditor for the Fiscal Years ended 31 December 2022, 31 December 2023, and 31 December 2024****Crowe Solutions for Professional Consulting**

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 Kingdom of Saudi Arabia  
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 Fax: +966 (11) 217 6000  
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 Website: www.crowe.com.sa



**Note:** The above advisers and auditors have given and, as at the date of this Circular, have given, and have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular (as applicable). None of them, nor any of their employees working on the Company's engagement, holds any shares or interest in the Company that may affect their independence.

## Summary

This summary is intended to provide Medgulf's shareholders with an overview of the Merger, as such, reading this Section does not substitute reading the other sections of this Circular. Shareholders shall read this Section as an introduction to the information related to the Merger. Accordingly this Circular and the information contained herein should be read carefully especially "Important Notice" Section and (1) ("Risk Factors") Section – before making any decision related to voting on the Merger Resolutions in Medgulf's Merger EGM.

| Medgulf (the Issuer or the Merging Company)                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                    |                                                                                 |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------|------------------------------------|-------------|--------------------------------------|--|---------------------------------------------------------------------------------|--|-----------------------------|------------------------------------|-----------------------------|------------------------------------|---------------------------------|------------|----------|------------|-------|--------------------------------------------------------------------------------------------------|------------|----------|------------|-------|---------------------------|------------|----------|------------|--------|------------------------------------|------|------|-----------|-------|--------------|-------------------|-----------------|-------------------|---------------|
| <b>Name, Description and Incorporation Information</b>                                                                                  | Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) is a listed Saudi joint stock company, having its registered office in Riyadh, with Commercial Register Unified No. (7001548317) dated 08/04/1428H (corresponding to 25/04/2007G) and license No. (TMN/3/20079) dated 29/08/1428H (corresponding to 11/09/2007G) issued by the IA to practice insurance and reinsurance activities. Medgulf's current share capital is one billion fifty million (1,050,000,000) Saudi riyals, divided into one hundred five million (105,000,000) ordinary shares at a nominal value of ten (10) Saudi Riyals per share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                    |                                                                                 |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| <b>Medgulf's Activities</b>                                                                                                             | <p>Medgulf's principal activity is to conduct cooperative insurance and reinsurance business and all related activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, as amended, and all related laws.</p> <p>According to its bylaws, the objectives of Medgulf are to conduct the cooperative insurance and reinsurance business in the branch of general insurance, health insurance and protection and saving insurance. Pursuant to its commercial register, Medgulf's activities include general insurance, protection and saving insurance, health insurance, and reinsurance.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                    |                                                                                 |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| <b>Substantial shareholders in Medgulf and their number of shares and shareholding percentage before and after the Capital Increase</b> | <p>The following table shows the Substantial Shareholders of Medgulf before and after the Issuance of Merger Resolution and the deposit of the Consideration Shares, as of market close on 05/01/1447H (corresponding to 30/06/2025G).</p> <p><b>Table (1.1): Ownership of the Substantial Shareholders of Medgulf before and after the Issuance of Merger Resolution and the deposit of the Consideration Shares</b></p> <table> <tr> <th rowspan="2">Shareholder</th><th colspan="2">Before Issuance of Merger Resolution</th><th colspan="2">After Issuance of the Merger Resolution and Deposit of the Consideration Shares</th></tr> <tr> <th>Number of Shares in Medgulf</th><th>Shareholding Percentage in Medgulf</th><th>Number of Shares in Medgulf</th><th>Shareholding Percentage in Medgulf</th></tr> <tr> <td>Rakan Abdullah Rashid Abunayyan</td><td>12,657,856</td><td>12.0551%</td><td>12,657,856</td><td>9.16%</td></tr> <tr> <td>The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain)</td><td>11,987,500</td><td>11.4167%</td><td>11,987,500</td><td>8.68%</td></tr> <tr> <td>The Saudi Investment Bank</td><td>19,950,000</td><td>19.0000%</td><td>19,950,000</td><td>14.44%</td></tr> <tr> <td>Cigalah Multi-Industries Company *</td><td>None</td><td>None</td><td>9,449,999</td><td>6.84%</td></tr> <tr> <td><b>Total</b></td><td><b>44,595,356</b></td><td><b>42.4718%</b></td><td><b>54,045,355</b></td><td><b>39.12%</b></td></tr> </table> <p>*Cigalah Multi-Industries Company is not a Substantial Shareholder in Medgulf prior to the Issuance of the Merger Resolution, and has been included in the table as it will become a Substantial Shareholder after the Issuance of the Merger Resolution and the deposit of the Consideration Shares. For further details regarding the ownership of Yasser Youssef Naghi, as he will not appear among the Substantial Shareholders, but will hold (directly and indirectly) 10.7080% of Medgulf after the Issuance of the Merger Resolution and the deposit of the Consideration Shares.</p> <p>For more details on the full Shareholding Structure, please refer to Table (1.3) ("Shareholding Structure Prior to and Following the Issuance of Merger Resolution").</p> |                                    |                                                                                 |                                    | Shareholder | Before Issuance of Merger Resolution |  | After Issuance of the Merger Resolution and Deposit of the Consideration Shares |  | Number of Shares in Medgulf | Shareholding Percentage in Medgulf | Number of Shares in Medgulf | Shareholding Percentage in Medgulf | Rakan Abdullah Rashid Abunayyan | 12,657,856 | 12.0551% | 12,657,856 | 9.16% | The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain) | 11,987,500 | 11.4167% | 11,987,500 | 8.68% | The Saudi Investment Bank | 19,950,000 | 19.0000% | 19,950,000 | 14.44% | Cigalah Multi-Industries Company * | None | None | 9,449,999 | 6.84% | <b>Total</b> | <b>44,595,356</b> | <b>42.4718%</b> | <b>54,045,355</b> | <b>39.12%</b> |
| Shareholder                                                                                                                             | Before Issuance of Merger Resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                    | After Issuance of the Merger Resolution and Deposit of the Consideration Shares |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
|                                                                                                                                         | Number of Shares in Medgulf                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Shareholding Percentage in Medgulf | Number of Shares in Medgulf                                                     | Shareholding Percentage in Medgulf |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| Rakan Abdullah Rashid Abunayyan                                                                                                         | 12,657,856                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 12.0551%                           | 12,657,856                                                                      | 9.16%                              |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain)                                        | 11,987,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 11.4167%                           | 11,987,500                                                                      | 8.68%                              |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| The Saudi Investment Bank                                                                                                               | 19,950,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 19.0000%                           | 19,950,000                                                                      | 14.44%                             |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| Cigalah Multi-Industries Company *                                                                                                      | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | None                               | 9,449,999                                                                       | 6.84%                              |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| <b>Total</b>                                                                                                                            | <b>44,595,356</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>42.4718%</b>                    | <b>54,045,355</b>                                                               | <b>39.12%</b>                      |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| <b>Share Capital of Medgulf</b>                                                                                                         | One billion and fifty million Saudi Riyals (SAR 1,050,000,000).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                    |                                                                                 |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |
| <b>Total Number of Medgulf Shares</b>                                                                                                   | One hundred and five million (105,000,000) ordinary shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                    |                                                                                 |                                    |             |                                      |  |                                                                                 |  |                             |                                    |                             |                                    |                                 |            |          |            |       |                                                                                                  |            |          |            |       |                           |            |          |            |        |                                    |      |      |           |       |              |                   |                 |                   |               |



|                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Nominal Value per Share</b>                                              | Ten (10) Saudi riyals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Total Number of Consideration Shares</b>                                 | Thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Percentage of Consideration Shares from the Share Capital of Medgulf</b> | 31.58%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Issuance price of Consideration Shares</b>                               | The nominal value of each Consideration Shares is ten (10) Saudi riyals. The total nominal value of the Consideration Shares is three hundred thirty-one million, five hundred seventy-eight thousand, nine hundred forty (SAR 331,578,940) Saudi Riyals. The total value of Consideration Shares, that will be recorded on the financials of Medgulf, will be determined based on the closing price of Medgulf's share at the last trading day prior to the date of the issuance of the Consideration Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Total Value of the Issuance of Consideration Shares</b>                  | The total nominal value of the Consideration Shares is three hundred and thirty-one million, five hundred and seventy-eight thousand, nine hundred and forty Saudi Riyals (SAR 331,578,940). The total market value of the Consideration Shares is SAR 584,573,671 (five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals), based on the closing price of (SAR 17.63) for Medgulf's share as at 29/01/1447H (corresponding to 24/07/2025G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total value of Consideration Shares, that will be recorded on the financials of Medgulf, will be determined based on the closing price of Medgulf's share at the last trading day prior to the date of the issuance of the Consideration Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Description of the Merger</b>                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Description of the Merger</b>                                            | <p>Medgulf will make an offer to the shareholders of Buruj to merge Buruj into Medgulf and transfer all of Buruj's liabilities, assets, and contracts to Medgulf, in return for issuing thirty-three million one hundred fifty-seven thousand eight hundred ninety-four (33,157,894) ordinary shares to the shareholders of Buruj, by increasing the share capital of Medgulf from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion three hundred eighty-one million five hundred seventy-eight thousand, nine hundred forty (SAR 1,381,578,940) Saudi Riyals, and increase of the number of its shares from one hundred five million (105,000,000) ordinary shares to one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) ordinary shares, representing an increase by 31.58% in Medgulf's current share capital.</p> <p>Upon the Effectiveness of the Merger Resolution, Medgulf will survive, while Buruj will be dissolved by force of law, and all of its shares will be cancelled, and all of its rights, liabilities, assets, and contracts will be transferred to Medgulf. For more details on the terms and conditions of the Merger, please refer to Section (5.2.2) ("<b>Procedures Required for the Issuance and Effectiveness of the Merger Resolution</b>").</p> |
| <b>Buruj (the Merged Company)</b>                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Name, Description and Incorporation Information</b>                      | Buruj Cooperative Insurance is a Saudi joint stock company listed on the Saudi Exchange, with its head office located in Riyadh, and registered in the commercial register under the unified number (7001617724) dated 10/02/1431H (corresponding to 25/01/2010G), and licensed by IA under license number (TMN/20105/28) dated 15/06/1431H (corresponding to 29/05/2010G) to practice insurance business activity, and its share capital is three hundred million (SAR 300,000,000) Saudi riyals, divided into thirty million (SAR 30,000,000) ordinary shares, each with a nominal value of ten (10) Saudi Riyals per share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Activities of Medgulf</b>                                                | <p>Buruj's principal activity is the conduct of insurance business, primarily encompassing property and casualty insurance, medical insurance, auto insurance, and certain lines of general insurance.</p> <p>According to its bylaws, the objectives of Buruj are to conduct cooperative insurance activities and relevant activities such as reinsurance, agencies, representation, correspondence, or brokerage.</p> <p>According to its commercial register, Buruj's principal activity is general insurance and health insurance.</p> <p>For more details about Buruj, please see Section (3.7) ("<b>Overview of Buruj Operations</b>").</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------|--------------------------------------------------------|----------------------|
| Substantial Shareholders in Buruj and number of their shares and shareholding percentage before and after the Effectiveness of the Merger Resolution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | The following table shows the shareholding structure of Buruj before and after the Effectiveness of the Merger Resolution, as of market close on 05/01/1447H (corresponding to 30/06/2025G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                               |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Table (1.2): Shareholding structure of Buruj before and after the Effectiveness of the Merger Resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                               |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Shareholder                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Before Effectiveness of the Merger Resolution |                      | After Effectiveness of the Merger Resolution           |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of Shares                              | Ownership Percentage | Number of Shares                                       | Ownership Percentage |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yasser Yousuf Mohamed Naghi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 3,450,000                                     | 11.5500%             | Not applicable, because it will be merged into Medgulf |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Gulf Medical Co. Lt <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1,500,000                                     | 5.0000%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Cigalah Multi-Industries Company <sup>(2)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 8,550,000                                     | 28.5000%             |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Al Yusr Investment Gates Company <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,500,000                                     | 5.0000%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Current Members of the Board of Directors of Buruj <sup>(4)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2,807                                         | 0.0094%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Senior Executives of Buruj                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | None                                          | None                 |                                                        |                      |
| Other Shareholders <sup>(5)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 900,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3.0000%                                       |                      |                                                        |                      |
| Public                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 14,097,193                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 46.9906%                                      |                      |                                                        |                      |
| Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 30,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 100%                                          |                      |                                                        |                      |
| (1) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 56% of the share capital of Gulf Medical Co. Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| (2) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 90% of the share capital of Cigalah Multi-Industries Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| (3) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 33.33% of the share capital of Al Yusr Investment Gates Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| (4) The shareholding of Yasser Youssef Mohammed Naghi (Chairman of the Board of Buruj) has not been included in the Board members' shareholding clause, as it is directly included in the table.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| (5) This item includes Cigalah Trading Establishments owned by Yasser Yousuf Mohamed Naghi, which own 900,000 shares in Buruj representing 3% of Buruj's share capital. They were included in this item because their liabilities are consolidated with Yasser Yousuf Mohamed Naghi (a Substantial Shareholder) as they are single proprietorship and therefore considered entities owned fully by him. Based on the aforementioned, the indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| Shareholding of Buruj's Shareholders in Medgulf after the Capital Increase                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | After the issuance of the Consideration Shares, Buruj's shareholders will own approximately 24% of Medgulf's share capital.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                               |                      |                                                        |                      |
| Share Capital of Buruj                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Three hundred million (300,000,000) Saudi riyals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                               |                      |                                                        |                      |
| Total Number of Buruj Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Thirty Million (30,000,000) ordinary shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                               |                      |                                                        |                      |
| Number of Buruj shares subject matter of the Merger                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total number of Buruj's shares is thirty million (30,000,000) ordinary shares, as the transaction is a merger under which Buruj will be merged into Medgulf, and its shares will be cancelled, and it will be dissolved.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                               |                      |                                                        |                      |
| Others                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                      |                                                        |                      |
| Related Parties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | The Merger does not involve Related Parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                               |                      |                                                        |                      |
| Total and Detailed Value of the Consideration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | The nominal value of each share of the Consideration Shares is (10) Saudi riyals. The total nominal value of the Consideration Shares is three hundred thirty-one million, five hundred seventy-eight thousand, nine hundred forty (SAR 331,578,940) Saudi Riyals, and the total market value of the Consideration Shares is SAR 584,573,671 (five hundred eighty-four million, five hundred seventy three thousand, six hundred seventy one Saudi Riyals), based on the closing price of (SAR 17.63) for Medgulf's share as at 29/01/1447H (corresponding to 24/07/2025G) (which is the last trading day prior to the date of entry into the Merger Agreement). The total value of Consideration Shares, that will be recorded on the financials of Medgulf, will be determined based on the closing price of Medgulf's share at the last trading day prior to the date of the issuance of the Consideration Shares. |                                               |                      |                                                        |                      |

Structure of Merger

The below diagram is a simplified description of the structure of Merger:

```
graph TD
    MS1[Medgulf Shareholders] -- 100% --> MS2[Medgulf Shareholders]
    BS1[Buruj Shareholders] -- 100% --> BS2[Buruj Shareholders]
    MS1 -- 76% --> MS3[Medgulf Shareholders]
    BS1 -- 24% --> BS3[Buruj Shareholders]
    MS3 --> MBL[Medgulf  
Buruj's Assets and Liabilities]
    BS3 --> B_X[Buruj]
```

Medgulf shareholding structure before and after the Capital Increase

The following table shows the shareholding details of Medgulf before and after the Issuance of Merger Resolution and the deposit of the Consideration Shares, as market closing on 05/01/1447H (corresponding to 30/06/2025G).

Table (1.3): Shareholding structure of Medgulf before and after Capital Increase

| Shareholder                                                                                      | Before Issuance of Merger Resolution |                                 | After Issuance of the Merger Resolution and Deposit of the Consideration Shares |                                 |
|--------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------|---------------------------------------------------------------------------------|---------------------------------|
|                                                                                                  | Number of Shares in Medgulf          | Ownership Percentage in Medgulf | Number of Shares in Medgulf                                                     | Ownership Percentage in Medgulf |
| Rakan Abdullah Rashid Abunayyan                                                                  | 12,657,856                           | 12.055%                         | 12,657,856                                                                      | 9.1619%                         |
| The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain) | 11,987,500                           | 11.417%                         | 11,987,500                                                                      | 8.6767%                         |
| The Saudi Investment Bank                                                                        | 19,950,000                           | 19.000%                         | 19,950,000                                                                      | 14.4400%                        |
| The two board members nominated by Buruj and Companies they Control <sup>(2)</sup>               | N/A                                  | N/A                             | 17,576,229                                                                      | 12.7218%                        |
| Current Members of the Medgulf board <sup>(1)</sup>                                              | 6,666                                | 0.0063                          | 6,666                                                                           | 0.0048%                         |
| Senior Executives of Medgulf                                                                     | N/A                                  | N/A                             | N/A                                                                             | N/A                             |
| Other Shareholders <sup>(3)</sup>                                                                | 1,750,437                            | 1.6671%                         | 1,750,437                                                                       | 1.2670%                         |
| Public                                                                                           | 58,647,541                           | 55.855%                         | 74,229,206                                                                      | 53.7278%                        |
| <b>Total</b>                                                                                     | <b>105,000,000</b>                   | <b>100.000%</b>                 | <b>105,000,000</b>                                                              | <b>76.0000%</b>                 |

(1) The shareholding of Rakan Abdullah Rashid Abunayyan (Chairman of the Board of Medgulf) has not been included in the Board members' shareholding clause, as it is directly included in the table

(2) This item includes:

a) The direct and indirect ownership of companies Controlled by Yasser Yousef Mohammed Naghi, representing 15,900,000 current shares in Buruj (i.e., 53%), which equate to 17,573,680 shares Medgulf after the Issuance of the Merger Resolution and the deposit of the Consideration Shares (i.e., 12.7200%). For more details on the full Shareholding Structure, please refer to the table in Section (6.3) ("Structure Prior to and Following the Issuance of Merger Resolution").

b) The ownership pf Mr. Ziad Albassam, who owns 2,307 current shares in Buruj (i.e., 0.0077%) which equate to 2,549 shares in Medgulf after the Issuance of the Merger Resolution and the deposit of the Consideration Shares (i.e. 0.0018%).

(3) This item includes the following persons and entities:

a) Mediterranean and Gulf Insurance and Reinsurance Company S.A.L. (Lebanon), which owns 1,050,000 shares in Medgulf, representing 1% of Medgulf's current share capital. It was included in this item because it is 100% owned by the Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain).

b) Mr. Lutfi Fadel Al Zain, who owns 437 shares in Medgulf, representing 0.0004% of Medgulf's current share capital. He was included in this item because he Controls one of Medgulf's substantial shareholders, the Mediterranean and Gulf Insurance and Reinsurance Company (MedGulf) B.S.C. (Closed) (Bahrain), as he Controls 58.42% of this Substantial Shareholder through Lutfi Fadel El Zein Holding SAL Company which he and his relatives wholly own.

c) Lutfi Fadel El Zein Holding SAL Company, which is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives, which own 700,000 shares in Medgulf, representing 0.6667% of Medgulf's current share capital. It was included in this item because it is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------|--------------------------------------------------------|----------------------|
| Shareholding structure of Buruj before and after the Effectiveness of the Merger Resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | The following table shows the details of the shareholding structure of Buruj before and after the Effectiveness of the Merger Resolution, as of market closing on 05/01/1447H (corresponding to 30/06/2025G).                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                               |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Table (1.4): Shareholding structure of Buruj before and after the Effectiveness of the Merger Resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                               |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Shareholder                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Before Effectiveness of the Merger Resolution |                      | After Effectiveness of the Merger Resolution           |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of Shares                              | Ownership Percentage | Number of Shares                                       | Ownership Percentage |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yasser Yousuf Mohamed Naghi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3,450,000                                     | 11.5500%             | Not applicable, because it will be merged into Medgulf |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Gulf Medical Co. Lt <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1,500,000                                     | 5.0000%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Cigalah Multi-Industries Company <sup>(2)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 8,550,000                                     | 28.5000%             |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Al Yusr Investment Gates Company <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1,500,000                                     | 5.0000%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Current Members of the Board of Directors of Buruj <sup>(4)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2,807                                         | 0.0094%              |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Senior Executives of Buruj                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | None                                          | None                 |                                                        |                      |
| Other Shareholders <sup>(5)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 900,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 3.0000%                                       |                      |                                                        |                      |
| Public                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 14,097,193                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 46.9906%                                      |                      |                                                        |                      |
| Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 30,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100%                                          |                      |                                                        |                      |
| Source: Buruj                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| (1) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 56% of the share capital of Gulf Medical Co. Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| (2) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 90% of the share capital of Cigalah Multi-Industries Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| (3) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 33.33% of the share capital of Al Yusr Investment Gates Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| (4) The shareholding of Yasser Youssef Mohammed Naghi (Chairman of the Board of Buruj) has not been included in the Board members' shareholding clause, as it is directly included in the table.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| (5) This item includes Cigalah Trading Establishments owned by Yasser Yousuf Mohamed Naghi, which own 900,000 shares in Buruj representing 3% of Buruj's share capital. They were included in this item because their liabilities are consolidated with Yasser Yousuf Mohamed Naghi (a Substantial Shareholder) as they are single proprietorship and therefore considered entities owned fully by him. Based on the aforementioned, the indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
| Dilution Effects                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | The Merger will result in a decrease in the shareholding of the current Medgulf shareholders to (76%) of the total Medgulf's share capital after the Issuance of Merger Resolution and deposit of the Consideration Shares. The Merger will not result in any change in the number of shares owned by the current shareholders of Medgulf. For further information and details about the risks related to reduction of shareholding and low voting power associated therewith etc. please refer to Section (1.2.1) (" <b>Risks related to the dilution in the ownership percentage of shareholders of Medgulf and the consequent decrease in voting power</b> "). |                                               |                      |                                                        |                      |
| Statement of Increase or Decrease in Earnings Per Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | The table below shows the decrease in Medgulf's earnings per share based on the audited financials for the fiscal year ended 31 December 2024G, and based on the pro forma consolidated financials for the fiscal year ended 31 December 2024G.                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Earnings per share (based on Medgulf's audited financials for the fiscal year ended 31 December 2024G)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 0.97                                          |                      |                                                        |                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Earnings per share after the Capital Increase (Based on the pro forma consolidated financials for the fiscal year ended 31 December 2024G)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 0.81                                          |                      |                                                        |                      |
| The Merger Rationale and Reasons                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | The Merger aims to enhance the competitive position of the Merging Company through the integration of product offers, improving operational efficiency, enhancing financial stability, and delivering benefits to the shareholders. For more details on the rationale and reasons for the Merger, please refer to Section (3.2) (" <b>The Rationale and Motives for the Merger</b> ").                                                                                                                                                                                                                                                                            |                                               |                      |                                                        |                      |

|                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Summary of Key Steps required to increase Capital and list the Consideration Shares</b> | <p>The key steps required for the Issuance and Effectiveness of Merger Resolution which were not carried out as of the date of this Circular, are as follows:</p> <ul style="list-style-type: none"> <li>• Publication of the invitation to convene the Medgulf's Merger EGM and Buruj's Merger EGM.</li> <li>• Announcing the Creditors' Objection Period of (15) days from the date of announcement of the Merger by the Companies and the objection procedures and continuity of these procedures without suspension by the competent judicial authorities.</li> <li>• Obtaining the approval of the shareholders of Medgulf and Buruj on the Merger Resolutions at Medgulf's Merger EGM and Buruj's Merger EGM.</li> <li>• Publishing the results of the Medgulf's Merger EGM and Buruj's Merger EGM.</li> <li>• Listing and depositing the Consideration Shares into the portfolios of Buruj's shareholders, who reserve these Consideration Shares.</li> <li>• Cancelling the listing of Buruj's shares.</li> <li>• Updating the commercial registers of Medgulf and Buruj to reflect the Merger.</li> </ul> <p>For more information please refer to Section (3) ("<b>Merger</b>") and Section "<b>Key Dates and Milestones</b>".</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Entitlement to Dividends of the Consideration Shares</b>                                | <p>Holders of the Consideration Shares will have the right to receive dividends declared by Medgulf following the date of the Issuance of Merger Resolution and in accordance with the record date for each dividend declared.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Required Approvals in connection with the Capital Increase</b>                          | <p>The Merger and the Capital Increase require obtaining a number of regulatory approvals as follows:</p> <ul style="list-style-type: none"> <li>• The CMA approval on Medgulf's Capital Increase and the publication of the Offer Document. This approval was obtained on 30/03/1447H (corresponding to 22/09/2025G).</li> <li>• Approval of the Saudi Exchange (Tadawul) for the listing of Consideration Shares on the Saudi Exchange (Tadawul). This approval was obtained on 22/03/1447H (corresponding to 14/09/2025G).</li> <li>• Approval of the IA on the Merger and resulting procedures and matters. This approval was obtained on 16/03/1447H (corresponding to 08/09/2025G).</li> <li>• Obtaining the GAC's non-objection to the economic concentration resulting from the Merger. This non-objection was obtained on 06/07/1446H (corresponding to 06/01/2025G).</li> <li>• Obtaining the non-objection of the Ministry of Commerce and the IA to the proposed amendments to Medgulf's bylaws. The IA's non-objection was received on 03/04/1447H (corresponding to 25/09/2025G). The Ministry of Commerce's non-objection letter will be obtained before inviting Medgulf's Merger EGM.</li> <li>• The approval of the CMA to invite Medgulf's Merger EGM and Buruj's Merger EGM, and the date convention of EGM will be announced on website of Saudi Exchange (Tadawul).</li> <li>• The approval of the shareholders of Medgulf and Buruj for the Merger Resolutions at Medgulf's Merger EGM and Buruj's Merger EGM. The two EGMs have not yet been held.</li> <li>• The Ministry of Commerce approving the update of the commercial registration of Medgulf and the commercial registration of Buruj, as needed.</li> </ul> <p>For further information about the conditions and procedures of the Merger, please refer to Section (5) ("<b>Legal Information</b>").</p> |
| <b>Voting Rights of the Consideration Shares</b>                                           | <p>All Medgulf's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current Medgulf's shares with the same rights they enjoy including voting rights and rights to receive dividends in accordance with the Companies Law and the bylaws of Medgulf.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Restrictions on the Consideration Shares</b>                                            | <p>There are no restrictions imposed on the Consideration Shares. They will be subject to the rules and regulations applicable to all shares listed on the Saudi Exchange and to the rules governing ownership of shares of insurance companies in accordance with the Cooperative Insurance Companies Control Law and its related regulations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

The proposed Capital Increase in Medgulf's is conditional upon the approval of Medgulf's Merger EGM and Buruj's Merger EGM.

## Key Dates and Milestones

The table below includes the expected timeline of the key events related to the Merger. The dates below are approximate, and Medgulf (or Buruj or the Saudi Exchange (Tadawul), as the case may be) will announce the actual events that must be announced on the Saudi Exchange (Tadawul) website according to the relevant laws and regulations including any changes that may be made to the timetable.

| Event                                                                                                                                                                                                                                                                         | Timeline/ Expected Date                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>1. Actions required in relation to EGM and Creditors' Objection Period</b>                                                                                                                                                                                                 |                                                                                                               |
| Submission of the final draft of the Offer Document to the CMA                                                                                                                                                                                                                | The final draft of the Offer Document was submitted to the CMA on 22/03/1447H (corresponding to 14/09/2025G). |
| The CMA's approval of the capital increase application and publication of the Offer Document                                                                                                                                                                                  | Monday, 30/03/1447H (corresponding to 22/09/2025G)                                                            |
| Both Companies' announcement of the Merger, and the method for Buruj's creditors to object, as per Article (227) of the Companies Law                                                                                                                                         | Wednesday, 02/04/1447H (corresponding to 24/09/2025G)                                                         |
| Publication of the Offer Document, and Shareholders' Circular and Buruj's Board of Directors' Circular                                                                                                                                                                        | Sunday, 06/04/1447H (corresponding to 28/09/2025G)                                                            |
| Making documents available for inspection                                                                                                                                                                                                                                     | Sunday, 06/04/1447H (corresponding to 28/09/2025G)                                                            |
| CMA's approval to convene Medgulf's Merger EGM and Buruj's Merger EGM                                                                                                                                                                                                         | Sunday, 06/04/1447H (corresponding to 28/09/2025G)                                                            |
| Announcement of the invitation to Medgulf's Merger EGM on the Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time allocated to the first meeting if the first meeting was not quorate) | Monday, 07/04/1447H (corresponding to 29/09/2025G)                                                            |
| Announcement of the invitation to Buruj's Merger EGM on the Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time allocated to the first meeting if the first meeting was not quorate)   | Monday, 07/04/1447H (corresponding to 29/09/2025G)                                                            |
| Expiry of Buruj's Creditors' Objection Period                                                                                                                                                                                                                                 | Thursday, 17/04/1447H (corresponding to 09/10/2025G)                                                          |
| Buruj's announcement on whether there are any creditors' objections                                                                                                                                                                                                           | Sunday, 20/04/1447H (corresponding to 12/10/2025G)                                                            |
| The start of the electronic voting period for Medgulf's EGM agenda                                                                                                                                                                                                            | Sunday, 27/04/1447H (corresponding to 19/10/2025G)                                                            |
| The start of the electronic voting period for Buruj's EGM agenda                                                                                                                                                                                                              | Sunday, 27/04/1447H (corresponding to 19/10/2025G)                                                            |
| Convening Medgulf's Merger EGM (first meeting) – quorum required is shareholders representing at least 50% of Medgulf's voting shares                                                                                                                                         | Thursday, 01/05/1447H (corresponding to 23/10/2025G)                                                          |
| Convening Medgulf's Merger EGM (second meeting), if the quorum for the first meeting is not attained – quorum required is shareholders representing at least 25% of Medgulf's voting shares                                                                                   | One hour after the expiry of the period specified for the first inquorate EGM.                                |
| Convening Buruj's Merger EGM (first meeting) – quorum required is shareholders representing at least 50% of Buruj's voting shares                                                                                                                                             | Thursday, 01/05/1447H (corresponding to 23/10/2025G)                                                          |
| Convening Buruj's Merger EGM (second meeting), if the quorum for the first meeting is not attained – quorum required is shareholders representing at least 25% of Buruj's voting shares                                                                                       | One hour after the expiry of the period specified for the first inquorate EGM.                                |
| Announcing the Merger Resolutions passed at Medgulf's Merger EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact)                                                                              | Sunday, 04/05/1447H (corresponding to 26/10/2025G)                                                            |
| Announcing the Merger Resolutions passed at Buruj's Merger EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact)                                                                                | Sunday, 04/05/1447H (corresponding to 26/10/2025G)                                                            |

| Event                                                                                                                                                                                                                                                                                        | Timeline/ Expected Date                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2. Actions required in the event that the first and second EGMs were inquorate</b>                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| The CMA's approval for the invitation to Medgulf's Merger EGM (third meeting) or Buruj's Merger EGM (third meeting)                                                                                                                                                                          | Monday, 05/05/1447H (corresponding to 27/10/2025G)                                                                                                                                                                                                                                                                                                                                                                                                             |
| Announcement on the Saudi Exchange's (Tadawul) website of the invitation to Medgulf's Merger EGM (third meeting) or Buruj's Merger EGM (third meeting)                                                                                                                                       | Tuesday, 06/05/1447H (corresponding to 28/10/2025G)                                                                                                                                                                                                                                                                                                                                                                                                            |
| The start of the electronic voting period for Medgulf's Merger EGM (third meeting) or Buruj's Merger EGM (third meeting)                                                                                                                                                                     | Friday, 23/05/1447H (corresponding to 14/11/2025G)                                                                                                                                                                                                                                                                                                                                                                                                             |
| Convening Medgulf's Merger EGM (third meeting) or Buruj's Merger EGM (third meeting) - will be valid irrespective of the number of shares represented in the meeting                                                                                                                         | Tuesday, 27/05/1447H (corresponding to 18/11/2025G)                                                                                                                                                                                                                                                                                                                                                                                                            |
| Announcing the Merger Resolutions passed at Medgulf's or Buruj's Merger EGM (third meeting) on the Saudi Exchange (Tadawul) website                                                                                                                                                          | Wednesday, 28/05/1447H (corresponding to 19/11/2025G)                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>3. Merger Approval and Complementary Steps</b>                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Approval of Medgulf's Merger EGM and Buruj's Merger EGM                                                                                                                                                                                                                                      | Thursday, 01/05/1447H (corresponding to 23/10/2025G) (if approval is obtained in the first or second meeting of Medgulf's Merger EGM and Buruj's Merger EGM).<br>Wednesday, 28/05/1447H (corresponding to 19/11/2025G) (if approval is obtained in the third meeting of Medgulf's Merger EGM and Buruj's Merger EGM, as the case may be).                                                                                                                      |
| Suspension of trading in Buruj's Shares                                                                                                                                                                                                                                                      | The first trading period following the date of the Issuance of the Merger Resolution, which is expected to occur on:<br>Sunday, 04/05/1447H (corresponding to 26/10/2025G) (if approval is obtained in the first or second meeting of Medgulf's Merger EGM and Buruj's Merger EGM).<br>Thursday, 29/05/1447H (corresponding to 20/11/2025G) (if approval is obtained in the third meeting of Medgulf's Merger EGM and Buruj's Merger EGM, as the case may be). |
| Delisting Buruj's shares from the Saudi Exchange (Tadawul)                                                                                                                                                                                                                                   | Within a period not less than the third trading session and not exceeding the sixth trading session after the date of the Issuance of the Merger Resolution.                                                                                                                                                                                                                                                                                                   |
| Listing the Consideration Shares on the Saudi Exchange (Tadawul) and allocating such shares to the respective shareholders of Buruj who are registered in Buruj's shareholders register at the end of the second trading session following the date of the Issuance of the Merger Resolution | Within a period not less than the third trading session and not exceeding the sixth trading session after the date of the Issuance of the Merger Resolution.                                                                                                                                                                                                                                                                                                   |
| Deadline for distribution of proceeds from the sale of fractional shares                                                                                                                                                                                                                     | Within thirty (30) days from the Merger Approval, which is expected to occur on:<br>Sunday, 02/06/1447H (corresponding to 23/11/2025G) (if approval is obtained in the first or second meeting of Medgulf's Merger EGM and Buruj's Merger EGM).<br>Sunday, 23/06/1447H (corresponding to 14/12/2025G) (if approval is obtained in the third meeting of Medgulf's Merger EGM and Buruj's Merger EGM, as the case may be).                                       |
| <b>4. Effectiveness of the Merger Resolution</b>                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Amendment of Medgulf's commercial register to reflect the Merger and submitting the amended bylaws to the Ministry of Commerce and Effectiveness of the Merger Resolution                                                                                                                    | As soon as possible after the Issuance of the Merger Resolution, and it is expected to occur on:<br>Sunday, 06/05/1447H (corresponding to 28/10/2025G) (if approval is obtained in the first or second meeting of Medgulf's Merger EGM and Buruj's Merger EGM).<br>Monday, 03/06/1447H (corresponding to 24/11/2025G) (if approval is obtained in the third meeting of Medgulf's Merger EGM and Buruj's Merger EGM, as the case may be).                       |



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## Definitions and Terms

The following words and terms, whenever contained in this Circular, shall have the meanings ascribed thereto, unless the context requires otherwise:

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Merger Agreement</b>                             | The binding Merger Agreement dated 01/02/1447H (corresponding to 26/07/2025G) concluded between Medgulf and Buruj setting out the terms and conditions of the Merger, and the parties' rights and obligations in that respect.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Extraordinary General Assembly Meeting / EGM</b> | An Extraordinary General Assembly Meeting of the shareholders of the relevant Company convened in accordance with the provisions of the bylaws of the relevant Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Gross written premium (GWP)</b>                  | Gross written premiums within a specified period, without deduction of premiums assigned to reinsurers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Edaa</b>                                         | The Securities Depository Center Company (Edaa).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Medgulf/ Offeror / Merging Company</b>           | Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) is a listed Saudi joint stock company, having its registered office in Riyadh, with Commercial Register Unified No. (7001548317) dated 08/04/1428H (corresponding to 25/04/2007G) and License No. (TMN/3/20079) dated 29/08/1428H (corresponding to 11/09/2007G) issued by the Insurance Authority to practice insurance and reinsurance activities. Medgulf's share capital is one billion fifty million (SAR 1,050,000,000) Saudi riyals, divided into one hundred five million (105,000,000) ordinary shares.                                                                                                     |
| <b>Buruj/Offeree/Merged Company</b>                 | Buruj Cooperative Insurance Company is a listed Saudi joint stock company, having its registered office in Riyadh, with unified commercial register number (7001617724) dated 10/02/1431H (corresponding to 25/01/2010G) and holding Insurance Authority's license for conduct of insurance business activity under No. (TMN/20105/28) dated 15/06/1431H (corresponding to 29/05/2010G). Buruj's share capital is three hundred million (SAR 300,000,000) Saudi riyals, divided into thirty million (30,000,000) ordinary shares.                                                                                                                                                       |
| <b>Consideration Shares</b>                         | The new Medgulf shares to be issued to Buruj Shareholders for purpose of the Merger amounting to thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares with a nominal value of ten (10) Saudi riyals per share.                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Firm Intention Announcement</b>                  | The announcement published by Medgulf on the Saudi Exchange's (Tadawul) website on 02/02/1447H (corresponding to 27/07/2025G) regarding its firm intention to place an offer of merger of all Buruj's shares in accordance with Article (17)(e) of the M&A Regulations.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Affiliate</b>                                    | A person who controls another person or is controlled by such other person, or who is under common control with that person by a third person. In any of the above, control could be direct or indirect.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Shareholders' Circular</b>                       | This Shareholders' Circular issued by Medgulf in line with the requirements of Article 60 of the ROSCOs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Buruj's Board of Directors' Circular</b>         | The circular issued by Buruj's board of directors, to Buruj shareholders, pursuant to Article (39) of M&A Regulations, regarding Medgulf's offer relating to the Merger which provides the views of Buruj's board of directors on the offer to Buruj shareholders, and Medgulf's plans on Buruj and its employees.                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Medgulf's Merger EGM</b>                         | Medgulf's Merger EGM to be convened for the purpose of voting on the Merger Resolutions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Buruj's Merger EGM</b>                           | Buruj's Merger EGM to be convened for the purpose of voting on the Merger Resolutions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Public</b>                                       | means, in relation to an issuer of listed securities, persons other than:<br>1- Affiliates of the issuer.<br>2- Substantial shareholders of the issuer.<br>3- Directors and senior executives of the issuer.<br>4- Directors and senior executives of the affiliates of the issuer.<br>5- Directors and senior executives of the substantial shareholders of the issuer.<br>6- Any close relatives of the persons referred to in (1), (2), (3), (4), or (5) above.<br>7- Any company controlled by any of the persons referred to in (1), (2), (3), (4), (5), or (6) above.<br>8- Persons acting in concert and collectively, who own (5%) or more of the class of shares to be listed. |

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Material Adverse Event</b>   | <p>Means, pursuant to the definition agreed upon in the Merger Agreement, any event, occurrence or change in circumstances which individually, or jointly with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or future prospects of either company or on the Merger Agreement or its implementation, including any Material Adverse Event resulting in a decrease of 15% or more in the equity of either company as of 31 March 2025G; provided that the following shall not be taken into consideration in determining whether a Material Adverse Event has occurred for the purpose of the Merger Agreement:</p> <ul style="list-style-type: none"> <li>a- Any deterioration of the economic, political or market conditions or securities, credit, financial or other capital markets conditions in the global financial services sector, in the Middle East, in Saudi Arabia, or in general, unless such effect has a unequal material adverse impact compared to other businesses operating in the industry in which both Companies operates (as the case may be).</li> <li>b- Any change, event or development resulting solely from the execution and delivery of the Merger Agreement or the public announcements, pendency or consummation of the Merger or any of the other transaction contemplated by the Merger Agreement, including the impact of such changes or developments on the contractual or other relationships between either company (as the case may be) and its employees, customers, suppliers or partners;</li> <li>c- Any change per se in the market price, credit rating with respect to either company (if any) or its securities, or trading volume of their shares (noting that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event);</li> <li>d- Any change or proposed change, after the date of the Merger Agreement, in the applicable laws except such changes that results reasonably in a material adverse impact on the Companies (as the case may be) in a material disproportionate manner between each other or between them and other businesses operating in the same industry in which the two companies (as the case may be) operate;</li> <li>e- Geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of conclusion of the Merger Agreement, except for such events that adversely affects the Companies (as the case may be), in a material disproportionate manner between each other or between them and other businesses operating in the industry in which the companies (as the case may be) operate;</li> <li>f- Any flood, earthquake, the outbreak or escalation of any pandemic, or other natural disaster, except for such events that have a material adverse impact on the Companies (as the case may be), in a material disproportionate manner between each other or other businesses operating in the industry in which the Companies (as the case may be) operate; or</li> <li>g- Any change, event or development resulting from any action made by the Companies (as the case may be), that is expressly required to be taken in connection with the Merger.</li> </ul> |
| <b>Restricted Jurisdiction</b>  | Any country or jurisdiction where the offer of the Consideration Shares, or distribution or publication of this Document or any other documents related to the Consideration Shares, would violate the laws of, or regulations applicable in, that country or jurisdiction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>SAR</b>                      | Saudi Arabian Riyals, the official currency of the Kingdom of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Capital Increase</b>         | The proposed increase in the share capital of Medgulf from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion, three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty (SAR 1,381,578,940) Saudi Riyals, and increase of the number of its shares from one hundred five million (105,000,000) ordinary shares to one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) ordinary shares, representing an increase of 31.58% in Medgulf's current share capital, for the purposed of merging Buruj into Medgulf.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Closing Price</b>            | Last trading price for the shares on the related trading day, according to the mechanism set by Saudi Exchange (Tadawul).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Standard and Poor's</b>      | Standard & Poor's is a U.S. based financial services company that provides a range of financial services and operates as a credit rating agency, assigning credit ratings to assess the ability of companies and other entities to meet their financial obligations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>A.M. Best</b>                | A.M. Best is a U.S. based financial services company that provides a range of financial services and operates as a credit rating agency, assigning credit ratings to assess the ability of companies and other entities to meet their financial obligations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Saudi Exchange (Tadawul)</b> | The Saudi Stock Exchange (Tadawul), which is the market in which securities are traded in Saudi Arabia and is managed and operated by the Saudi Exchange Company (Tadawul) and regulated by the Capital Market Authority. It also means, depending on the context, Saudi Exchange Company, a wholly owned subsidiary of Saudi Tadawul Holding Group, which is responsible for operating the market.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Control</b>                     | <p>Means the ability to influence the actions or decisions of another person, whether directly or indirectly, individually or jointly with a relative or affiliate, through (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; and the word "controller" shall be construed accordingly.</p> <p>Means, for the purposes of the provisions of the M&amp;A Regulations, the ability to influence the actions or decisions of another person, whether directly or indirectly (excluding indirect ownership through a swap agreement or through an investment fund where the unitholder has no right to participate in the fund's investment decisions), individually or jointly with any person(s) acting in concert, through holding (directly or indirectly) 30% or more of the voting rights in a company.</p> <p>The term "controller" shall be construed accordingly.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Subsidiary</b>                  | In relation to a person, any other company which this person controls. In relation to Buruj, Gulf Warranties for Insurance Services (GWIS), a limited liability company, registered in the commercial register under the unified number. (7009182630) dated 20/05/1436H (corresponding to 11/03/2015G), wherein Buruj owns a shareholding interest of 40% of the share capital.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Companies</b>                   | Medgulf and Buruj.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Merger</b>                      | The merger of Buruj into Medgulf in accordance with the provisions of Article (225) and Articles (227) to (229) of the Companies Law and the provisions of subparagraph (1) of paragraph (A) of Article (49) of the M&A Regulations in consideration of the Consideration Shares issued by Medgulf to the shareholders of Buruj by increasing Medgulf share capital from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion three hundred eighty-one million five hundred seventy-eight thousand, nine hundred forty (SAR 1,381,578,940) Saudi Riyals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Creditors' Objection Period</b> | The period during which creditors of Buruj may submit their objections to the Merger as referenced in Article (227) of the Companies Law and during which any objections submitted may be settled in accordance with the provisions of the Companies Law. Creditors of Buruj have the right to object to the Merger within a period of 15 days from the date on which the Companies announce the Merger and the procedure for creditors of Buruj to object, in accordance with Article (227) of the Companies Law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Related Party</b>               | <p>Means for the purposes of the ROSCOs as follows:</p> <ol style="list-style-type: none"> <li>1- Affiliates of, except for the companies fully owned by, the issuer.</li> <li>2- Substantial shareholders of the issuer.</li> <li>3- Directors and senior executives of the issuer.</li> <li>4- Directors of affiliates of the issuer.</li> <li>5- Directors and senior executives of the substantial shareholders of the issuer.</li> <li>6- Any close relatives of the persons referred to in (1), (2), (3), or (5) above. Relatives herein mean father, mother, husband, wife, and children.</li> <li>7- Any company or entity controlled by a person referred to in (1,2,3,5, or 6) above.</li> </ol> <p>Means for the purposes of the M&amp;A Regulations, a person who (whether or not acting in concert with, or jointly with Medgulf or Buruj or any of their subsidiaries) owns or deals directly or indirectly with shares of Medgulf or Buruj whether through a private sale or purchase transaction or offer, or any person (in excess of its normal interests as a shareholder) has interest or potential interest - whether personal, financial or commercial - arising from the Merger or a Related Party with both Medgulf and Buruj. The definition, provided that this does not conflict with the general application of this definition, includes, but limited to, the following:</p> <ol style="list-style-type: none"> <li>1- Any person(s) who has provided financial assistance (other than what a bank in the ordinary course of business) to Medgulf or Buruj.</li> <li>2- The board member of Medgulf and Buruj (or any of their subsidiaries).</li> <li>3- a person owning 20% of Medgulf and Buruj (whether individually or by Acting in Concert with other(s)).</li> <li>4- A Substantial Shareholder of Medgulf, who is also a director of Buruj, or vice versa.</li> </ol> |
| <b>Offer</b>                       | The offer from Medgulf to Buruj Shareholders for the purpose of the merging of all Buruj's shares into Medgulf in exchange of the Consideration Shares to be issued to Buruj's Shareholders in Medgulf.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Merger Resolutions</b>                                                                                        | <p>Resolutions to be proposed to shareholders of Medgulf and Buruj in relation to the Merger, as follows (or any amendment thereto as requested by CMA or according to agreement between the parties before the invitation to the relevant meetings):</p> <p><b>In relation to Medgulf:</b> Approval of the increase of Medgulf's share capital from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty (SAR 1,381,578,940) Saudi Riyals representing a (31.58%) increase in the current capital, through the issuance of thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares at a rate of (1.10526313333333) shares in Medgulf for every share in Buruj, in accordance with the provisions of Articles (225) and Articles (227 - 229) of the Companies Law and the provisions of subparagraph (1) of paragraph (A) of Article (49) of the M&amp;A Regulations pursuant to the terms and conditions of the Merger Agreement, including approval of the following matters related to the Merger:</p> <ul style="list-style-type: none"> <li>a- Approval of the provisions of Merger Agreement.</li> <li>b- Approval of the increase of Medgulf's share capital from one billion and fifty million Saudi Riyals (SAR 1,050,000,000) to one billion three hundred eighty-one million five hundred seventy-eight thousand nine hundred forty (SAR 1,381,578,940) Saudi Riyals in accordance with the terms and conditions of the Merger Agreement.</li> <li>c- Approval of the proposed amendments to Medgulf's bylaws in the form set out in Annex (1) of this Circular.</li> <li>d- The authorization of Medgulf's board of directors, or any person authorized by the Board of Directors, to issue any resolutions or take any action as may be necessary to implement any of the above resolutions.</li> </ul> <p><b>In relation to Buruj:</b> Approval of the offer made by Medgulf to the shareholders of Buruj for the purpose of merging Buruj into Medgulf in exchange for issuing (1.10526313333333) shares in Medgulf for each share in Buruj held by the shareholders of Buruj pursuant to Articles (225) and Articles (227-229) of the Companies Law and the provisions of subparagraph (1) of paragraph (A) of Article (49) of the M&amp;A Regulations, in accordance with the terms and conditions of the Merger Agreement, including approval of the following matters related to the Merger, whereby Buruj shall be dissolved by force of law and its shares shall be cancelled, in accordance with the relevant regulatory requirements and the terms and conditions of the Merger Agreement, including approval of the following matters related to the Merger:</p> <ul style="list-style-type: none"> <li>a- Approval of the provisions of Merger Agreement.</li> <li>b- The authorization of Buruj's board of directors, or any person authorized by the Board of Directors, to issue any resolution or take any action as may be necessary to implement any of the above resolutions.</li> </ul> |
| <b>Relative</b>                                                                                                  | Means for the purposes of the M&A Regulations, husband, wife, children and parents. means, for the purposes of other regulations, husband, wife, and minor children.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Listing Rules</b>                                                                                             | The Listing Rules issued by the board of the Capital Market Authority pursuant to Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>ROSCOs</b>                                                                                                    | The Rules on the Offer of Securities and Continuing Obligations issued by the board of CMA pursuant to its Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Financials</b>                                                                                                | The audited financials of Medgulf or Buruj, as applicable, for the relevant fiscal years referred to herein.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>M&amp;A Regulations</b>                                                                                       | The Merger and Acquisition Regulations issued by the board of CMA pursuant to its Resolution No. (1-50-2007), dated 21/09/1428H (corresponding to 3/10/2007G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>The Implementing Regulations of the Companies Law for Listed Joint Stock Companies</b>                        | The Implementing Regulations of the Companies Law for Listed Joint Stock Companies issued by the board of the CMA pursuant to Resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>The Implementing Regulations of the Cooperative Insurance Companies Control Law</b>                           | The Implementing Regulations of The Cooperative Insurance Companies Control Law issued by the Minister of Finance pursuant to Resolution No. (1/596) dated 01/03/1425H (corresponding to 20/04/2004G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>CHI</b>                                                                                                       | Council of Health Insurance in the Kingdom of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Non-Binding MoU</b>                                                                                           | The non-binding memorandum of understanding concluded between Medgulf and Buruj on 21/01/1446H (corresponding to 27/07/2024G) in respect of the Merger.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Medgulf's Auditors for the Fiscal Years ended 31 December 2022G, 31 December 2023G, and 31 December 2024G</b> | Al Kharashi & Co. Certified Accountants and Auditors and Al Azem, Al Sudairy, Al Shaikh & Partners.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Substantial Shareholder</b>                                                                                   | A person owning five percent (5%) or more of the shares in Medgulf or Buruj, as the case may be.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Legal Adviser</b>                                                                                             | Zeyad Sameer Khoshaim Law Firm (Professional Limited Liability Company)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Financial Adviser</b>                                                                                         | HSBC Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Offer Document</b>                                         | The offer document prepared by Medgulf pursuant to provisions of Article (38) of the M&A Regulations in relation to the Offer made by Medgulf to Buruj Shareholders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Exchange Ratio</b>                                         | The basis on which the number of Consideration Shares owed to Buruj shareholders will be determined in relation to the Merger, which will result in (1.10526313333333) Medgulf shares for every Buruj share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>The international financial reporting standards / IFRS</b> | International Financial Reporting Standards accredited in the Kingdom of Saudi Arabia and other standards and versions issued by the Saudi Organization for Chartered and Professional Accountants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Saudi Arabia</b>                                           | Kingdom of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Companies Law</b>                                          | Companies Law promulgated by Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Labor Law</b>                                              | Labor Law promulgated by Royal Decree No. (M/51) dated 23/08/1426H (corresponding to 27/09/2005G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>The Cooperative Insurance Companies Control Law</b>        | The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003G), as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Issuance of Merger Resolution</b>                          | The issuance of the approval of Medgulf's Merger EGM and Buruj's Merger EGM on the Merger Resolutions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Effectiveness of the Merger Resolution</b>                 | Date of registration of Buruj's details into Medgulf's register with the commercial registry.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Solvency Margin</b>                                        | The excess of a company's liquid assets over its liabilities. It is a measure of a company's ability to meet its obligations, if necessary, and an indicator of the overall financial soundness of a company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>IA</b>                                                     | The Saudi Insurance Authority, which has assumed oversight of the insurance sector previously regulated by the Saudi Central Bank (SAMA).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>SOCPA</b>                                                  | The Saudi Organization for Chartered and Professional Accountants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>CMA or the Authority</b>                                   | The Capital Market Authority of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>GAC</b>                                                    | The General Authority for Competition of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Zakat, Tax and Customs Authority</b>                       | Zakat, Tax and Customs Authority of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>MOC</b>                                                    | The Ministry of Commerce of Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Acting in Concert</b>                                      | Means, for the purposes of ROSCOs, actual cooperation, pursuant to an agreement or understanding (whether formal or informal) between persons, to acquire interest in or exercise voting right in the shares or in the convertible debt instruments of Medgulf.<br><br>Means, for the purposes of other regulations, at the sole discretion of the CMA, actual cooperation, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose units owner have no right in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, "concert parties" shall be construed accordingly. Without prejudice to the general application of this definition, the following persons, shall be presumed to be acting in concert with other persons of the same class unless the contrary is established, including but not be limited to: (1) Members of the same group; (2) a person's relatives; (3) Person(s) who provided financial assistance (other than action made by a bank in the its ordinary course of business) to the Offeror (Medgulf) or members in the same group in order to purchase voting shares or convertible debt instruments. |
| <b>Working Day</b>                                            | Any day, other than a Friday, Saturday or a public holiday in Saudi Arabia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |



## 1. Risk Factors

Before taking any decision in relation to the Merger EGM, Medgulf Shareholders should carefully read this section, in addition to all the other sections of this Circular and the information contained herein. It should be noted that the risks clarified below do not include all the risks related to the Merger. There may be additional risks related to the Merger or to Buruj, other than those provided herein, not presently known to Medgulf's board, or which Medgulf board currently considers to be immaterial as on the date of this Circular.

The risk factors below focus only on the material risk factors related to the Merger, integration of businesses, and the issuance of new shares and those risks related to Buruj and the sector in which it operates. The directors of Medgulf further acknowledge that, to the best of their knowledge and belief, there are no other material risks related to the Merger and the issuance of new shares and other material risks related to Buruj other than those mentioned in this section, of which non-disclosure materially affects the shareholders' decisions regarding voting on the Merger Resolutions.

Based on the above, the risk factors below do not include the risk factors related to Medgulf before or after the Merger or other factors that may affect Medgulf, sector or market regardless of the Merger. If the risks outlined in this section materialize, would adversely affect the ability to realize the anticipated benefits of the Merger. They will also have an adverse effect on Medgulf's business, financial position, operating results, cash flows, future outlook, and the profitability of its shares following the Effectiveness of the Merger Resolution. If any risks other than those mentioned below materialize (either because Medgulf's board of directors does not know about them or does not consider them material at the time) this may have an adverse effect on the ability to achieve the expected benefits of the Merger and may also have an adverse effect on Medgulf's business activity, financial position, operations results, cash flows, future prospects and earnings per share following the Effectiveness of the Merger Resolution.

The risk factors below relating to Buruj are based on the information submitted by Buruj to Medgulf. Neither Medgulf, its directors, management, employees, nor advisers have verified the accuracy, adequacy or completeness of such information independently. Therefore, the risk factors outlined below will not include any factors related to matters or information that are not provided by Buruj to Medgulf and shall not be read as inclusive of all potential risks related to Buruj and the sector, in which it operates.

If any Medgulf Shareholder is in doubt about the content of this Circular, or in relation to the Merger, the procedures to be taken, or method of voting on the Merger Resolutions, independent financial advice from a CMA-licensed independent financial advisor shall be sought.

The categorization of the risks in the categories shown below does not limit the potential impact of any of the risks, nor does the order in which the risks are presented reflect their importance, likelihood of occurrence, or expected impact.

### 1.1 Risks related to the Merger and Issuance of New Shares

#### 1.1.1 Risks related to the impact of merger announcement on the Companies' business

On 22/01/1446H (corresponding to 28/07/2024G), both Medgulf and Buruj announced the conclusion of the Non-Binding MOU between the Companies to assess the feasibility of the merger between the Companies. Pursuant to the MoU, the Companies non-bindingly agreed upon the structure of implementing the Merger. On 02/02/1447H (corresponding to 27/07/2025G), Medgulf announced the conclusion of the Merger Agreement, which also included a declaration of its firm intention to proceed with the Merger and to make an offer to the shareholders of Buruj for this purpose.

These announcements may have or may have had (whether or not the Merger Resolution is issued and implemented accordingly) an effect on the business and share prices of Medgulf and Buruj for several reasons, including, but not limited to, the shift of management's focus in Medgulf and Buruj from management of the two Companies' business to the completion of the Merger and the potential negative impact on the Companies' operations or services provided to customers, the level of the service provided or impact on the ability of Medgulf to retain key employees and managers or to hire new employees and managers, who may have concerns about instability or fear of loss of their jobs after the Effectiveness of the Merger Resolution, or due to the impact on Medgulf relationships with its customers and contractors as a result of their expectations relating to the Merger and its impact on their existing business with the Companies, as well as the proliferation of rumors and expectations among investors in relation to the Merger or other factors.

Therefore, if the Companies are unable to deal with these matters effectively and properly, this may result in an adverse impact on the business activity, financial position, operations results, and future prospects of the Companies and the earnings per share of Medgulf after the Effectiveness of the Merger Resolution.

### 1.1.2 Risks related to delay in satisfying the Merger Conditions

The Merger requires satisfying a number of conditions as summarized under Section (5.2.2) ("**Procedures Required for the Issuance and Effectiveness of the Merger Resolution**") and Section (5.2.6.1) ("**The Conditions of Merger Agreement**"). Delay in fulfillment of such conditions may lead to delay in the Issuance and Effectiveness of the Merger Resolution. The most important conditions which has not yet been satisfied, is obtaining approval of the Companies' EGMs, and the other material terms and conditions of the Merger Agreement, with which the Companies shall comply, until the date of the Issuance of Merger Resolution, as summarized under Section (5.2.6) ("**Summary of the Merger Agreement**"), including not breaching any of the warranties provided by the Companies or the restrictions on business conduct and other conditions set out in the said section.

Any delay in the Issuance or Effectiveness of the Merger Resolution may result in failure or delay in achieving of the anticipated benefits of the Merger as expected or may result in additional Merger costs or other unexpected losses, which may arise as result of delay of the Issuance of Merger Resolution, which may adversely impact the business activity, financial position, operations results, future prospects and earnings per share of Medgulf after Effectiveness of the Merger Resolution.

### 1.1.3 Risks related to unknown costs of the Merger

Both Medgulf and Buruj will incur costs in relation to the Merger. Medgulf's costs related to the Merger are estimated at approximately twenty-nine million (SAR 29,000,000) Saudi Riyals (excluding VAT). Such expenses include the fees of the financial adviser, legal adviser, and the financial, tax, zakat, and actuarial matters due diligence, and other advisers, in addition to fees of governmental authorities, marketing, printing and distribution expenses, and other costs related to the Merger. It should be noted that this amount is an estimate only, and Medgulf may incur higher amounts. This estimate does not include Buruj's costs.

In addition, Medgulf will incur further costs related to the integration of the businesses of the Companies, which cannot be accurately determined at this time. Medgulf may also incur additional costs related to retaining key personnel of Buruj, developing certain business matters of Buruj, fulfilling certain contractual obligations, or other costs related to the Merger or business integration following the Effectiveness of the Merger Resolution.

Such costs may be significant and material, which could reduce the value of the expected benefits of the Merger, and in turn adversely impact Medgulf's business activities, financial and operations results, future prospectus, and earnings per share after the Effectiveness of the Merger Resolution.

### 1.1.4 Risks related to the Merger's Exchange Ratio

Following the Issuance of the Merger Resolution, Medgulf will issue the Consideration Shares to Buruj's shareholders according to the agreed-upon share Exchange Ratio (which is 1.10526313333333) shares in Medgulf for every one share owned in Buruj. The Exchange Ratio was determined based on prolonged negotiations between the Companies and several valuation methodologies, as well as the results of professional due diligence exercises conducted on each company. For more details on the valuation methodologies and how the Exchange Ratio was determined, please refer to Section (3.8.1) ("**Valuation of Buruj**").

The Exchange Ratio was determined according to the assessment of the management of both Companies in consultation with their financial advisors, on the basis that the information provided to the advisors for the purposes of due diligence and the supporting documents was true, complete, and free from any concealment or misrepresentation of material information, and on the assumption that all information relied upon by the management of both Companies and their advisors is correct and accurate, and on the basis that the relevant assumptions would materialize within the expected timeframe and method.



The correctness and fairness of the Exchange Ratio depend on various factors and assumptions which cannot be predicted with precision or certainty, and some of these factors may be beyond the control of Medgulf, now or in the future, including the valuation of the Companies is generally subject to change from time to time. In case any information, assumptions, and forecasts which were relied upon in determination of the Exchange Ratio proves to be incorrect or incomplete, or if any other unexpected factors occur, including a change in the financial position of either company, or the presence of material information about Buruj, which was not obtained by Medgulf during professional due diligence exercises, or the occurrence of significant change between the share price of the Companies during the period between determining the Exchange Ratio until the Effectiveness of the Merger Resolution (as a result of market price fluctuations, or how the business of the Companies is managed, or delay of the Effectiveness of the Merger Resolution for any reason, or due to occurrence of a change in the operational performance of the Companies), or in the occurrence of political or economic or regulatory changes and such other reasons which might affect the business or share prices of the Companies, which may result in a material effect on the valuation of the Companies, which could mean that the agreed Exchange Ratio may not accurately reflect the fair value of the Companies at the Merger EGM or upon the Issuance of Merger Resolution.

### **1.1.5 Risks related to the Financial Adviser's independent advice**

On 29/01/1447H (corresponding to 24/07/2025G), Medgulf's board obtained advice from Medgulf's Financial Adviser, HSBC Saudi Arabia, regarding the fairness of the Exchange Ratio for Medgulf and its shareholders from a financial perspective as at the opinion submission date, based on the factors, assumptions and limitations described in the opinion (for further information about the opinion provided, please see the opinion which is attached in Appendix (2) to this Circular).

Medgulf did not obtain updated advice from the Financial Adviser since the date of the Merger Agreement and does not intend to do so. The factors and assumptions on which the opinion was based, as on the submission date thereof, has changed or may change in the future. Accordingly, there is no guarantee that the Financial Adviser will have the same opinion regarding the fairness of the Exchange Ratio on the date of the Merger EGM or upon the Issuance of Merger Resolution. In addition, in rendering this opinion, the Financial Adviser did not independently verify the accuracy and correctness of this information and data, therefore the accuracy or correctness thereof cannot be guaranteed, nor can it be guaranteed that the opinion will not differ according to the facts to which these assumptions ultimately lead or in the event that any of the information proves to be inaccurate or incorrect.

Accordingly, Medgulf's Financial Adviser's opinion for may not reflect the true fair value of the Companies, which may result in the issuance of a greater number of shares in favor of Buruj shareholders, and consequently a decrease in the value of shares owned by current Medgulf shareholders and their voting rights and entitlement to dividends if distributed, which may negatively affect the share price of Medgulf after the Issuance of Merger Resolution. Accordingly, the shareholder must take this risk and probability into consideration upon making his investment decision regarding the Merger.

### **1.1.6 Risks related to inaccuracy of forward-looking forecasts and statements**

This Circular contains some forward-looking forecasts and statements. This Circular contains some forward-looking statements, which include, but are not limited to, (1) the expected benefits of the Merger, the future performance expectations of Medgulf following the Effectiveness of the Merger Resolution, and other future events, (2) the business strategies, management, expansion, and growth of Medgulf's business after the Merger, and (3) the Merger and the anticipated dates of such events.

Future events cannot be predicted and may differ from what is found in this Circular, as the performance of Medgulf and Buruj (before or after the Effectiveness of the Merger Resolution) and their ability to develop, work and achieve their goals and strategies determine their actual results, which Medgulf cannot know, and may relate to matters beyond Medgulf's control. The inaccuracy of these future forecasts is one of the risks that shareholders and investors should take into consideration, and shareholders should read these forecasts and statements in light of this and they should not rely on these forecasts and statements. If the actual results of Medgulf and future events differ from these forecasts and statements, they may lead to an adverse affect on Medgulf's business, financial position, operations results, future expectations, and the earnings per share after the Effectiveness of the Merger Resolution.

### 1.1.7 Risks related to relying on information not included in this Circular

Some media outlets may cover financial and economic information and analysis regarding Medgulf, Buruj and the Merger, which may not include many relevant information and risks that are contained in this Circular. Shareholders should not rely on such sources. These or other sources may make statements that are not directly attributable, or which might be incorrectly attributed to Medgulf's directors, officers, or employees, or they may include incorrect reports on statements made or might be made by Medgulf's directors, officers or employees. These sources may include misleading statements due to omission of mentioning information provided by Medgulf, or its directors, officers, or employees. Medgulf's board of directors has not authorized any person to provide information or statements on behalf of Medgulf, except as disclosed in this Circular. Medgulf's directors, officers, employees, or advisers shall assume no liability for the accuracy and completeness of any information or statements issued by third parties.

Depending on information other than those contained in this Circular may result in making investment decisions based on false or misleading information, potentially causing financial losses to shareholders as a result of reliance thereon. Therefore, shareholders should rely only on the information contained in this Circular upon taking any decision regarding voting on the Merger Resolutions. In case of any doubt about the Merger, shareholders must obtain special advice from an independent financial adviser licensed by the CMA.

### 1.1.8 Risks related to employees and the impact of the Merger on them

After the Effectiveness of the Merger Resolution, the success of Medgulf largely depends on its ability to retain highly qualified and efficient employees in its various departments, in light of the high competition and demand for these employees. Medgulf cannot guarantee its ability to retain the current key personnel working for Medgulf and Buruj, especially those, on whom the Companies rely, in defining and implementing their strategies and managing their business, as the retention of such employees is subject to a number of factors such as the prevailing conditions in the market and the value of remunerations and bonuses offered by competing companies to these employees.

A large number of employees may unexpectedly leave their positions and at close intervals as a result of the Merger. This may cause various risks, most importantly, Medgulf's business may be disrupted or delayed following the Merger, or Medgulf may be required to make significant end-of-service payments, bonuses and cash in lieu of deferred vacations. This may have an adverse effect on Medgulf's cash flow. The company may be forced to incur additional costs after the Effectiveness of the Merger Resolution in order to attract other employees. The delay in attracting replacement employees may affect Medgulf's business, which would materially affect Medgulf's business, financial position, operations results and future prospects after the Effectiveness of the Merger Resolution.

### 1.1.9 Risks related to Buruj's disclosure of all material information during professional due diligence

In the course of negotiations on the Merger, and for the purpose of determining the Exchange Ratio and evaluating the legal, financial and commercial aspects of the Merger, Medgulf and its advisers conducted professional, legal, financial, tax and actuarial studies about Buruj. Medgulf also negotiated and agreed on the Exchange Ratio based on the valuation prepared, results of these studies and expected benefits (please refer to Section (3.2) ("**The Rationale and Motives for the Merger**") for further details) and other matters, and please refer to Section (3.8.1) ("**Buruj Valuation**") for more details on the valuation.

There may be operational, legal, or financial risks related to Buruj's business, assets, or liabilities that Buruj has not disclosed; or the information disclosed might be inaccurate or outdated, especially because the negotiations continued for nearly one year; or there might be risks which were not identified, anticipated, or considered by Medgulf or its advisers during the professional due diligence studies, as Medgulf cannot expect and evaluate consequences of occurrence of the same in the date of this Circular. Additionally, although Buruj owns 40% of another company, none of the due diligence studies covered this company, as Buruj does not consider such company as a subsidiary or entity controlled by it for the purpose of financial reporting.

Accordingly, if those risks or information, which might not have been disclosed or which have not been checked by Medgulf, materialize, this may materially and adversely affect Medgulf's business, financial position and results after the Effectiveness of the Merger Resolution. This is particularly due to the inability to seek recourse against Buruj at that time as Buruj will cease to exist and it may not be possible to hold its former board members liable or to receive sufficient compensation from them, which is an inherent risk in merger transactions (please refer to Section (1.3.4) ("**Risks related to the claims to Merged Company's claim after its dissolution**") for further details). Accordingly, the shareholders must take this into account when evaluating and voting on the Merger.

### **1.1.10 Risks related to tax and Zakat dues arising from the Merger**

Tax or zakat obligations incurred by Medgulf's shareholders may arise as a result of the Merger. The obligations, to which the Merging Company or its shareholders may be subject to, might include disclosing the Merger to the relevant tax and zakat authorities within or outside Saudi Arabia, or the payment of any tax or zakat obligations which may arise as a result of the Merger. Medgulf has not studied the impact on each shareholder, and is not obligated to do so and will not pay any resulting taxes or obligations on behalf of any shareholder. Accordingly, in the event that disclosure of the Merger or payment of any taxes or fees is mandatory on any shareholder, they must do so without receiving any compensation from any party.

Due to the change of zakat and tax laws from time to time, the shareholders may, after the Effectiveness of the Merger Resolution, be exposed to an increase in zakat and taxes imposed on them due to the promulgation of new zakat or tax laws, the amendment of existing laws and regulations or zakat and tax practices or interpretations announced or unannounced by ZATCA or the competent tax authorities outside Saudi Arabia. In case shareholders have any doubts regarding tax and zakat risks, they must consult a tax advisor licensed by the relevant authorities.

### **1.1.11 Risks related to the current and past trading patterns of Medgulf's shares and trading with reliance on the previous performance of Medgulf's or Buruj's share**

The past performance of the shares of Medgulf and Buruj is independent and may differ from and may not be similar to the share performance after the Issuance of Merger Resolution. Shareholders may trade based on these patterns, which may cause fluctuations in the share price after the Issuance of Merger Resolution. In addition, Medgulf's shareholder base after the Issuance of Merger Resolution will differ from that before the Issuance of Merger Resolution, which may result in a difference in trading patterns compared to the trading patterns prior to the Issuance of Merger Resolution. Accordingly, the performance of the shares of Medgulf after the Issuance of Merger Resolution may not be similar to the past performance or the performance of the shares of Buruj and cannot be predicted, which may affect the share price of Medgulf and the value of shareholders' investments.

### **1.1.12 Risks related to the decrease in Medgulf's share price as a result of the Merger**

In addition to the fluctuations or decrease in the price for reasons other than the Merger, Medgulf's share price may decrease after the Effectiveness of the Merger Resolution for several reasons related to the Merger, including – but not limited to – the failure on the part of Medgulf to achieve the expected benefits of the Merger during the expected period or to the extent expected by investors, financial analysts, or Medgulf's board, or incompatibility of the financial effect of the Merger on Medgulf with the forecasts of investors, financial analysts, or Medgulf's board of directors, or other factors, following the Effectiveness of the Merger Resolution. There is no guarantee that Medgulf's shares will increase as a result of the Merger. These factors may have an adverse impact on the trading price of Medgulf's shares following the Effectiveness of the Merger Resolution, regardless of the actual performance of Medgulf.

### **1.1.13 Risks related to the fluctuations of Medgulf's share price**

The announcement of the Merger, the investors becoming aware of it, the method of managing the Companies and their business, the delayed Issuance or Effectiveness of Merger Resolution for any reason, conducting a change in share trading patterns by investors due to the Merger or for other reasons which affect the price of securities, may increase fluctuation of the share price of Medgulf and Buruj until the Issuance of Merger Resolution and Effectiveness of the Merger Resolution for Medgulf.

Thus, Medgulf's share price at the time of Issuance of Merger Resolution may significantly differ from its price upon the execution of the Merger Agreement or the publication date of this Circular, which will affect the market value of Medgulf, and the shareholders' investments in its shares.

Moreover, an increase or decrease in the share prices of the Companies may not be accounted for in the valuation and will not result in a change in the Exchange Ratio. Accordingly, in the event that Medgulf's share price increases compared to Buruj's share price, even if this increase is substantial, the Exchange Ratio will not change and may result in an increase in the market value of the Consideration Shares that Buruj shareholders will receive compared to the market value of the Merged Company, which may negatively affect Medgulf's share price after the Issuance of Merger Resolution.

#### 1.1.14 Risks related to the Medgulf's ability to distribute dividends

The business, revenues, financial position, and debt ratio of Medgulf, after the Effectiveness of the Merger Resolution may be affected by a number of factors which are beyond the control of Medgulf, including, but not limited to, the operational, financial, and economic factors and market conditions, which greatly affect Medgulf's profits, revenues, and distributable reserves. The amount of profits Medgulf may achieve or distribute, if any, following the Effectiveness of the Merger Resolution cannot be determined or predicted. Medgulf may be unable to distribute profits, and even if profits are achieved, the board of directors might not recommend to pay dividends, or shareholders might reject them for various reasons.

Medgulf has not distributed profits since 2012G, and Buruj has not distributed any profits except in 2017G and 2019G. Medgulf may continue not to distribute profits after the Issuance of Merger Resolution, and there is no guarantee regarding their distribution or the amount thereof (in case of distribution), as future profit distribution depends on several factors, including but not limited to, Medgulf's future profits, financial position, cash flows, working capital requirements, and expenses.

If Medgulf fails to pay a dividend, the shareholders will receive no ROI on shares unless they sell the shares at a price higher than the price at which they bought the share. Accordingly, shareholders' investment in Medgulf may be negatively affected thereby.

#### 1.1.15 Risks related to the delay or suspension of the merger due to procedures related to Creditors' Objection Period

At least thirty (30) days prior to convening the Extraordinary General Assembly of the Companies to vote on the Merger Resolutions, the Companies announced on 02/04/1447H (corresponding to 24/09/2025G) the Merger, and the objection procedures for Creditors of Buruj in accordance with Article (227) of the Companies Law, whereby such Creditors shall have a period of fifteen (15) days from the date of the announcement to submit any objections in accordance with the provisions of Article (227) of the Companies Law, pursuant to the mechanism that will be specified in the announcement. **Buruj shall settle the debt of the objecting creditor, if such debt is due and payable, or provide sufficient warranty to settle the debt if it is deferred.** If a creditor notifies Buruj of their objection to the Merger during the Creditors' Objection Period and Buruj fails to settle the debt if it is due or fails to provide such Creditor with sufficient warranty to settle the same if it is deferred, then such creditor may apply to the competent judicial authority within a period of no less than ten (10) days before the date set for voting on the Merger resolutions. In this case, the competent judicial authority may order the payment of the debt if it is due or the provision of a warranty to settle the debt if it is deferred. If the competent judicial authority deems that the Merger will result in serious harm to the objecting creditor without both Companies being able to settle the debt or provide the warranty, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. If the competent judicial authority does not decide on the creditor's objection before the Effectiveness of the Merger Resolution, and it subsequently finds that the objecting creditor's claim is valid, the competent judicial authority may issue a decision to compensate such creditor for the damages suffered by it as a result of the Merger.

The Creditors' Objection Period began 02/04/1447H (corresponding to 24/09/2025G). The creditors may file objections, and the competent authority may suspend or postpone the Merger upon the creditors' request, in the event that the Buruj fails to meet the statutory requirements or is involved in a dispute concerning the same. Should the Issuance of the Merger Resolution be delayed due to the Creditors' Objection Period and the procedures associated therewith, or if the competent judicial authority, after the Effectiveness of the Merger Resolution, issued a judgment for compensating the Creditor for the damage suffered as a result of the Merger, the expected benefits of the Merger may not be realized, may be delayed, or may lead to an unexpected and substantial increase in the costs associated with the Merger, thereby negatively impacting the business, financial position, operating results, and future prospects of Medgulf following the Effectiveness of the Merger Resolution.

### **1.1.16 Risks Related to the period between the Issuance and Effectiveness of Merger Resolution**

Pursuant to Article (228) of the Companies Law, the Merger Resolution shall be effective and deemed valid from the date of registration of the Merged Company's data in the commercial register of the Merging Company. Consequently, upon the Issuance of the Merger Resolution, the Merger will not be executed immediately, but there will be an interim period until the commercial registry of both Medgulf and Buruj is updated, and this update take, in practice, several weeks. During such period, several issues may arise, including delays in the ability to consolidate business and transfer assets, and the inability of Medgulf to fully control the operations and decisions of Buruj due to the fact that the Consideration Shares have been issued and traded before the Effectiveness of the Merger Resolution. Additionally, ambiguity in the legal status and the potential misunderstandings among contracting parties and others regarding the Effectiveness of the Merger Resolution may negatively impact Medgulf's business, financial position, operating results, and future prospects after Effectiveness of the Merger Resolution.

## **1.2 Risks related to changes in the ownership of existing shareholders and reduced voting power**

### **1.2.1 Risks related to the dilution in the ownership percentage of shareholders of Medgulf and the consequent decrease in voting power**

Following the issuance of Merger, Medgulf will issue the consideration shares to Buruj's shareholders according to the agreed-upon share Exchange Ratio (which is (1.10526313333333) shares in Medgulf for every one share they own in Buruj). Accordingly, the Merger will result in reduction of the existing shareholders of Medgulf holding approximately 76% of Medgulf's share capital after the Issuance of Merger Resolution. Buruj's shareholders will hold approximately 24% of Medgulf's shares after the Effectiveness of Merger Resolution, calculated on the basis of the total shares without taking into account their shareholding in Buruj or Medgulf (as the case may be) before the Issuance of Merger Resolution.

Therefore, following the Issuance of Merger Resolution, the ownership percentage of the existing shareholders of Medgulf will be lower than their current ownership percentage. This, in turn, will lead to a decrease in their voting power, which will negatively impact their ability to influence resolutions that require shareholder approval, including the election of board members, approval of amendments to the articles of association, approval of substantial transactions and other matters requiring shareholders' approval. Furthermore, the dilution in ownership percentage will reduce their share of net profits in Medgulf after the issuance of Merger Resolution, in case dividends were distributed.

## **1.3 Risks related to the consolidation of the business of the Companies, and challenges following the Effectiveness of the Merger Resolution**

### **1.3.1 Risks related to business consolidation, and the transfer of business, assets, and liabilities of Buruj to Medgulf**

The Merger will be executed in accordance with the provisions of the Companies Law and the M&A Regulations, by way of merging Buruj into Medgulf. Upon Effectiveness of the Merger Resolution, Buruj will be immediately dissolved and all of its rights, liabilities, assets, and contracts will be transferred to Medgulf. Mergers pose a significant operational challenge for the Merging Company, Medgulf, as it must effectively, immediately, and swiftly integrate all operational, technical, financial, and other systems, or ensure their seamless and consistent parallel management. It is imperative to ensure that all operational systems, and those related to the insurance claims of Buruj, customer interactions, and other functions operate uninterrupted and efficiently within the systems of the Merging Company.

In their joint study on mutual benefits and post-merger procedures, Medgulf and Buruj, through their shared consultant, have analyzed the process of merging the two companies. The Companies anticipate gradual consolidation over a period of two years following the Effectiveness of the Merger Resolution. Consequently, Medgulf will manage Buruj's operational and technical activities alongside its own systems for a period of time after the Issuance of the Merger Resolution, which is a complex and potentially costly process. The expected consolidation period may be extended beyond two years, and challenges or delays may arise. Full integration and business consolidation may not be fully achieved due to the differing mechanisms, methods, and corporate culture in place by the Companies, and given the unforeseen technical and operational challenges or disruptions that may arise, among other factors.

Should Medgulf be unable to effectively handle and manage the business integration process, the Medgulf's operations and productivity will be impacted after the Effectiveness of the Merger Resolution. This will result in disruptions in customer service, inaccuracies in data collection, and delays or errors in claims handling. Consequently, Medgulf's business, profits, costs, net income, assets, liabilities, and future prospects along with the unified financial results, operation results and achievement of desired savings may be adversely impacted after Effectiveness of the Merger Resolution.

Furthermore, Mergers also involve operational challenges regarding the transfer of assets. Despite the transfer of the assets and liabilities of Buruj by force of law, formal steps and procedures must be taken to update licenses, records, and the like, including the transfer of employees and assets registered with third parties. Not all parties involved in updating these records may have the same level of understanding of the regulatory implications of Mergers, which may result in delays or failure to officially register the transfer of some assets. This may hinder the consolidation of business activities and dealing with these parties in the future to clarify the identity of the true owner of the asset, thereby negatively impacting the business, profits, costs, net income, assets, liabilities, and future prospect of Medgulf, in addition to the consolidated financials and operating results after the Effectiveness of the Merger Resolution.

### **1.3.2 Risks related to the integration of the business after Effectiveness of the Merger Resolution, and the failure to realize the desired benefits**

Notwithstanding the necessity of consolidating business activities due to the dissolution of the Merged Company (Buruj), which will cease to exist, the success of the Merger and the realization of its anticipated benefits depend not only on the effective consolidation of the business activities to utilize the combined assets and business activities of both Companies on the Effective Date of the Merger, but also on the achievement of successful operational integration between the business activities of both Companies to realize the anticipated benefits of the Merger, including cost reduction and increased customer satisfaction, as one of the primary objectives of Medgulf in executing the Merger is to realize a number of benefits and advantages. For more details on the reasons for the Merger, please refer to Section (3.2) ("**The Rationale and Motives for the Merger**").

Medgulf's ability to realize the expected benefits from the Merger is subject to various factors, including but not limited to: avoiding any delay or difficulties related to obtaining the necessary approvals to undertake any actions required to realize the Merger benefits and overcoming challenges in implementing cost-rationalization plans and other factors beyond its control such as changes in the regulatory and operational environment of the insurance sector, the general commercial, political, and economic situation in Saudi Arabia, and Medgulf's ability to motivate and retain employees after completion of the Merger. Consequently, Medgulf may not be able to achieve the expected financial, operational, commercial benefits and growth opportunities as a result of the Merger, or may not be able to achieve these benefits in the expected time and size. Medgulf's failure to effectively handle and manage the business integration mechanisms will impact Medgulf's operations and productivity after Effectiveness of the Merger Resolution. Consequently, the expected benefits of the merger may not be realized, and Medgulf's business activities, profits, costs, net income, assets, liabilities, and future prospects may be adversely impacted. The consolidated financial results and operations results after Effectiveness of the Merger Resolution may also be adversely impacted.

In addition to the above, these expected benefits and synergies expected from the Merger are based on preliminary forecasts and estimates made prior to the date of this Circular, which have not been updated and will not be updated before the date of the EGMs relating to the Merger. Consequently, such benefits and synergies may not materialize due to the alterations in the fundamentals and assumptions, on which initial projections and estimates are based or given the inaccuracy of the initial estimates. Neither Medgulf, nor its Board of Directors, Executive Management, or others shall be responsible for the results arising from these initial estimates. In addition, there is no intention to update the expected benefits and synergies from the Merger or other future prospects in this Circular, unless required by applicable laws and related regulations. If the expected benefits of the Merger are not realized within the expected time, or at the value, or by the expected manner, or if such benefits are not realized at all, this may have a negative impact on the business activities, financial position, operations results, future prospects, and earnings per share of Medgulf following the Merger.

### 1.3.3 Risks related to the impairment of goodwill after the Merger

The accounting procedures for the Merger will be subject to the business consolidation requirements in accordance with the International Financial Reporting Standards No. (3) (IFRS3), where Medgulf is considered the offeror and Buruj is considered the offeree. Pursuant to these accounting requirements, the offeror (Medgulf) shall evaluate the assets and liabilities of the offeree (Buruj) at fair value as at the date of the consideration shares issuance, and calculate the difference between the fair value, any intangible assets acquired as a result of the purchase price allocation, and adjustments to non-controlling interests, if any, and the purchase price as goodwill arising from the Merger (referred to as purchase price allocation), such that the purchase price includes the full value.

Medgulf shall have a twelve-month period to finalize the purchase price allocation in accordance with International Financial Reporting Standard 3 (IFRS3). No adjustments shall be permitted after the elapse of this period except to correct an error in accordance with International Financial Reporting Standard IAS 8).

Given that the purchase price is based on the share price of Medgulf, any material change in this price may affect the value of the goodwill calculated. For example, if the Medgulf share price rises significantly compared to its price on the date of preparing of this Circular, this may lead to an increase in the goodwill recorded within the financials (taking into account the results of the purchase price allocation process). It should be noted that any goodwill arising from the Merger is subject to periodic impairment testing. When there are indicators that the expected cash flows – after deducting the capital cost – do not cover the net assets associated with the cash-generating unit, the goodwill may be impaired. If such an event occurs, an impairment loss shall be recognized in the income statement, which will have an impact on the company's profitability, financial position and on Medgulf's share price.

### 1.3.4 Risks related to claims to Merged Companies after its dissolution

Pursuant to the Merger Agreement, Buruj provided a number of confirmations and warranties to Medgulf, upon which Medgulf relied when entering into the Merger Agreement. Buruj also confirmed the accuracy and validity of all information provided to Medgulf, including the information contained in this circular, and the accuracy of the financial information provided, among other things. For more details on the provided warranties, please refer to Section (5.2.6.4) ("**Warranty**").

If, after the Effectiveness of the Merger Resolution, it is clear that any of the confirmations and warranties provided by Buruj were invalid or inaccurate, the Merging Company will be unable to pursue a claim against Buruj for any damages for any losses resulting from inaccuracy and invalidity of these confirmations and warranties, as Buruj will be dissolved upon the Effectiveness of the Merger Resolution and any such claims will be limited to the Board of Directors of Buruj that may not have sufficient resources to compensate Medgulf for the damages caused to it, or Medgulf may fail to substantiate these claims against them. A shareholder must consider such risk when voting on Merger Resolutions, in the event that losses arise due to invalidity or inaccuracy of the warranties and confirmations made by Buruj, Medgulf may not be able to recover adequate damages or may not recover any damages at all, which would negatively impact its business activities, financial position, operations results, and future prospects after Effectiveness of the Merger Resolution.

### 1.3.5 Risks related to the consolidation of financials

The Merger requires the implementation of a mechanism to ensure the effective consolidation of financial statements and smooth operation of the Merging Company and its ability to issue its financials effectively after the Effectiveness of the Merger Resolution. The process of consolidating the financials of Medgulf with Buruj must be managed in a manner that aligns with the expectations and requirements of Medgulf. Buruj currently has several accounting policies that may be exposed to human error. For example, Buruj uses three different IT systems for financial reporting and then manually consolidates the financials based on extracts from these different systems. The use of this method and similar approaches may present a challenge to the accurate and timely consolidation of financial reports. Due to the differences in methods and systems between the Companies, there is a risk that the Merging Company may not be able to manage the consolidation of the financials in accordance with its expectations. This may require additional time and costs until the Merging Company is able to consolidate the financials as required.

If Medgulf fails to accurately and effectively consolidate the financials of Buruj after Effectiveness of the Merger Resolution, this could result in inaccurate financial information being disclosed to the public or relevant government authorities, or in delays in such disclosures, which may lead to imposing financial penalties on the Merging Company due to non-compliance with laws governing the consolidation of financials, in addition to potential claims for damages submitted by the investors, which may directly and adversely impact on its business operations, profitability, and reputation. If the financial report consolidation process is not managed effectively, or if its quality or nature is not of a high standard, this will have an adverse impact on the business and financial position, operation results, and future prospects of the Merging Company after Effectiveness of the Merger Resolution.

### **1.3.6 Risks related to the insufficient technical provisions after Merger**

Article (69) of the Implementing Regulations of the Cooperative Insurance Companies Control Law requires that insurance companies calculate technical provisions in accordance with the accounting standards, as determined and approved by an actuarial consultant. At a minimum, such provisions shall include the following: (1) Provisions for unearned premium; (2) Provision for outstanding claims; (3) provisions for claims adjustment expenses; (4) incurred but not reported reserves (IBNR); (5) provision for unexpired risks; (6) catastrophe reserves; (7) general expense reserves; and (8) provisions related to protection and savings insurance. The article prescribes the method of calculating the above.

Medgulf shall estimate the amount of these provisions upon the Effectiveness of the Merger Resolution based on the expected trends in the amount and frequency of claims according to the data available at that time. It must take appropriate action, if it is necessary to conduct any modifications to ensure compliance with the instructions of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The process of analyzing and setting up an adequate level of technical reserves involves numerous uncertain factors and assumptions that cannot be accurately predicted. Since the reserves' size is based on future estimates, the Merging Company's reserves may at any time be insufficient or non-compliant with the regulatory and accounting requirements.

Should the actual liabilities exceed the value of the technical reserves for related claims, the Merging Company will incur losses equal to the amount of this increase in actual liabilities or will require the provisions to be increased, which will have negative impact Medgulf's business, financial position, operations results, and future prospects after the Effectiveness of the Merger Resolution.

### **1.3.7 Risks related to maintaining the solvency margin**

The excess of a company's liquid assets over its liabilities. It is a measure of a company's ability to meet its obligations, when necessary, and an indicator of the overall financial soundness of a company. Pursuant to Article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, insurance companies must maintain a solvency margin of (100%). The regulations specify the method of calculating the margin based on the type of assets and services provided.

The solvency margin of Medgulf amounted to 12.4%, 77%, and 71% as at 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. The solvency margin of Buruj amounted to 254%, 194%, and 216% for the same periods, respectively. Accordingly, and despite the high solvency margin of Buruj, the overall solvency margin of Medgulf after the Merger may be lower than expected due to the current lower solvency margin of Medgulf.

Medgulf must not rely on this initial analysis, as it must calculate the solvency margin at the Effective Date of the Merger Resolution, because the Companies will continue their ordinary course of business from the date of this analysis until the Effectiveness of the Merger Resolution. This means that their financial position will change, which requires recalculation of the solvency margin upon the Effectiveness of the Merger Resolution. Given that the solvency margin of Medgulf is subject to change, based on the course of business and unpredictable future events, it may decline and fall below the regulatory requirements, upon the Effectiveness of the Merger Resolution. Such a decline may require immediate remedial actions in the subsequent quarter to restore the solvency margin to the required extent, which may be either impossible or entail additional costs.



Failure to comply with the solvency margin according to the requirements determined by the IA, and the failure to remedy the same in a timely manner, may result in the imposition of statutory sanctions and indicates that the company's financial position is weaker than required. In the event of non-compliance, the IA may take regulatory actions including compelling Medgulf to take corrective measures, such as a capital increase, adjusting prices, ceasing to accept new subscriptions, or liquidating assets. Non-compliance may also result in fines or suspension of service provision, and suspension or revocation of the operational licenses. In the event of the occurrence of one or more of these risks, Medgulf's business activities, financial position, operations results, and future prospects may be materially and negatively impacted after the Effectiveness of the Merger Resolution.

### **1.3.8 Risks related to dealing with reinsurers and their credit ratings**

The IA requires insurance companies, as of January 1, 2025, to cede no less than 30% of each treaty reinsurance agreement (both proportional and non-proportional) and each facultative reinsurance risk to reinsurers within the Kingdom. Insurance companies must comply with this until at least 30% of their total premiums are reinsured domestically. Buruj affirmed its commitment to the same. Pursuant to Article (42) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, an insurance company shall select a reinsurer that has obtained at least a (BBB) rating from Standard & Poor's or an equivalent rating from another recognized international rating agency or from others approved by the IA.

As at 1 July 2025G, Buruj has several reinsurance agreements with twelve (12) reinsurers, all of which are rated higher than (BBB). Medgulf, as of the same date, deals with ten (10) reinsurers, all of whom are also rated higher than the same. The relationship between the Companies and those reinsurers may be affected by the Merger, as the creditworthiness of the Merging Company, Medgulf, after the Effectiveness of the Merger Resolution will differ from its current creditworthiness or that of Buruj before the Effectiveness of the Merger Resolution. This means that reinsurers may seek to reassess the arrangements, premiums, and other agreed-upon commercial terms. There is no guarantee that these parties will wish to continue their relationship with the Merging Company or offer the same services under the same terms.

The Merging Company, Medgulf, shall continue to comply with reinsurance requirements and reinsurance credit rating requirements following the Effectiveness of the Merger Resolution. This is subject to several factors that may be beyond Medgulf's control, including a downgrade of reinsurers' ratings below the permissible minimum, their unwillingness to contract with Medgulf, or their inability to do so due to their credit standing for any reason. The Merging Company may not be able to find reinsurers in a timely manner and on suitable commercial terms, which may leave it non-compliant and with inadequate insurance coverage, or may result in additional indeterminate costs.

Failure to comply with the solvency margin requirements determined by the insurance authority, and the failure to rectify the situation in a timely manner, may result in the imposition of sanctions and indicates that the company's financial position is weaker than required. In the event of non-compliance, the regulatory actions that the IA may take include an order to take corrective measures, a suspension of new subscriptions, and may escalate to fines, suspension of service provision, suspension or revocation of the operational licenses. In the event one or more of these risks materialize, Medgulf's business, financial position, operations results, and future prospects may be materially and negatively impacted after the Effectiveness of the Merger Resolution.

### **1.3.9 Risks related to the integration of Buruj's IT systems**

Upon the Effectiveness of the Merger Resolution, Buruj will be dissolved and all its assets, and liabilities, including all its technical systems, will be transferred to Medgulf. The integration of technical operations will pose a significant challenge for Medgulf, particularly with respect to the utilization and consolidation of the IT systems currently used by Buruj.

Buruj currently relies on several technical systems for its operations. It has two systems that perform many core functions such as managing financial transactions and records, insurance claims, and retail operations management. Both systems have flaws that have been identified, and the Buruj Board of Directors and Executive Management have not updated or reviewed IT governance and other policies related to IT control.

For example, one of these systems has issues such as inadequate technical support from the system developer, limited system resources, and slow updates. The other system is incompatible with the general industry standards in general and software engineering requirements therein. Furthermore, its maintenance costs are high, and there are difficulties in integrating it with the first system. In addition, there are also deficiencies in the technical programs relied upon by Buruj for its financial reporting. Please refer to Section (1.3.5) **“Risks related to the consolidation of financials”** for further details.

Given that the IT systems currently used by Buruj are outdated and not integrated with each other, Medgulf may not be able to consolidate business operations effectively and within the expected timeframe. Medgulf may also be compelled to incur additional costs to integrate the IT systems with each other within the Merging Company. Medgulf's failure to effectively handle, manage, and integrate Buruj's various IT systems will impact Medgulf's operations and productivity after the Effectiveness of the Merger Resolution. Consequently, the expected benefits of the Merger may not be realized, and the Medgulf business, profits, costs, net income, assets, liabilities, and future prospects may be adversely impacted. The consolidated financials and operating results after the Merger may also be adversely impacted.

### 1.3.10 Risks related to not controlling prices

Insurance policies are annually priced by an actuarial consultant who prepares a pricing adequacy report. After analysis, the proposed rates are submitted to the IA for approval. Upon the transfer of insurance policies from Buruj to Medgulf by force of law, the policies will be transferred with the existing pricing. This pricing may not necessarily be suitable for Medgulf, which may desire to change it in the future.

Upon the expiration of these insurance policies and other insurance policies in the insurance portfolio of the Merging Company, the Merging Company's actuarial consultant will, upon advent of the annual pricing adequacy review period, reassess the pricing adequacy to comply with regulatory requirements, taking into consideration the Merging Company's insurance portfolio (which will include the insurance policies transferred from the Buruj). The actuarial consultant's recommendations at that time may require changes to the insurance premium prices for the Merging Company's portfolio due to potential changes in the portfolio's performance at that time. Customers may not accept such changes, or the Merging Company may not be able to attract customers at the revised rates, which may adversely affect the Merging Company's business, financial position, operations results, and future prospects after the Effectiveness of the Merger Resolution.

## 1.4 Legal risks related to Buruj

### 1.4.1 Risks related to lease agreements and Buruj's lack of ownership of the assets where its offices and branch are located

The plot of land, on which Buruj's headquarters is located, and the plots on which its branches or sale points are located are leased from third parties and are not owned by Buruj. There are seven (7) current lease agreements for Buruj's headquarters, offices, and multiple points of sale. Lease agreements entered into are short term and most of them are renewed annually. The following table lists the lease agreements entered into by Medgulf, along with expiry dates and the agreed-upon annual rent.

**Table (1.4.1): Buruj Lease Agreements**

| #  | Location                            | Contract Expiration Date | Annual Rent                       |
|----|-------------------------------------|--------------------------|-----------------------------------|
| 1- | Riyadh (Head-Office)                | 31-03-2027G              | SAR 1,265,000                     |
| 2- | Riyadh (Claims Branch)              | 18-05-2026G              | SAR 221,500                       |
| 3- | Riyadh                              | 30-10-2025G              | SAR 28,751 (For four months only) |
| 4- | Dammam                              | 24-01-2026G              | SAR 65,250                        |
| 5- | Al-Khobar (Regional Administration) | 06-2-2026G               | SAR 189,900                       |
| 6- | Jeddah                              | 31-12-2025G              | SAR 214,720                       |
| 7- | Madinah                             | 30-11-2025G              | SAR 30,000 (For six months only)  |

All lease agreements are registered on the Ejar platform, except for the Riyadh branch, which appears third in the table above, as its current extension is not registered on Ejar. According to the Council of Ministers' Resolution No. 292 dated 16/05/1438H (corresponding to 13/02/2017G), any lease agreement not registered on the electronic network for lease services (Ejar Platform) is not considered a valid contract producing administrative and judicial effects. Failure to register lease agreements on the platform, or registering them incompletely or inaccurately, may result in those unregistered agreements not being recognized as valid contracts producing their administrative and judicial effects, which could impact the tenant's ability to enforce these agreements in court and claim their rights under them, and may have an adverse effect on Buruj, and as a result, have an adverse effect on Medgulf after the Effectiveness of the Merger Resolution.

Buruj may not be able to renew the lease agreements, or may only be able to renew lease agreements on the same terms or on better terms. Also, the lease agreements may be terminated by the other parties in accordance with their terms or in the event of a breach by Buruj. Consequently, Buruj may be forced to vacate these premises and may not be able to find suitable alternative offices or may incur significant costs in doing so. Furthermore, the short term of the lease implies that unexpected rent increases may occur, and costs may not be adequately forecasted, causing future losses.

If the other parties terminate these lease agreements in accordance with the terms thereof, or if the lease agreements expire without renewal, or are renewed on less favorable terms, this shall adversely affect the ability to use the relevant properties. In the case of occurrence of any of the aforementioned risks, they will have a material adverse impact on Buruj's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative impact on Medgulf after the effectiveness of the Merger Resolution.

#### **1.4.2 Risks related to judicial disputes**

As at 1 June 2025G:

- Buruj is a defendant in 154 cases relating to insurance claims in which claimants seek approximately SAR 5,524,504. Buruj has two employment cases, with claims against Buruj totaling SAR 819,922. Buruj has a provision for legal cases amounting to SAR 813,763 as at 31 March 2025G.
- Buruj is a claimant in two cases, with financial claims amounting to SAR 124,156.68 and SAR 3,151,900, respectively, which were initially rejected by the Committee and were appealed by Buruj. These amounts have not yet been written off and accordingly they will constitute a loss if Buruj does not recover them.
- There are six court judgments issued in favor of Buruj that have not yet been executed by the relevant defendants. The total value of these judgments amount to SAR 1,187,251. These amounts represent amounts paid and the Company is awaiting recovery through execution.

Buruj's loss of lawsuits or disputes, to which it is a party, will result in direct financial losses that may impact its financial performance. In addition, Buruj is susceptible to the risks of threatened or potential litigation, fines, and indemnification claims. Many aspects of its business involve these litigation risks, including but not limited to, insurance claims, labor disputes, and other disputes.

Consequently, Buruj may be subject to judicial or administrative proceedings resulting in judgments against it, which may require the payment of substantial damages or may impose significant restrictions on how it conducts its business in the future. In addition to the aforementioned, even if a judgment is rendered in favor of the Buruj or the lawsuit is found to be groundless or malicious, Buruj may incur significant costs in defending against the claims filed against it, including attorneys' fees and management time spent on perusing the case, because of which it may result in substantial expenses.

In the case of Effectiveness of the Merger Resolution, Medgulf will replace Buruj in all these cases. Consequently, should any of these cases or other potential lawsuits and obligations be lost or if Buruj incurs any costs to defend therein, Medgulf may incur financial losses, causing damage to its reputation. Accordingly, the incurrence of these costs, the loss of any substantial dispute, or the failure to accurately allocate the disputed amounts by Buruj will materially and adversely affect Buruj's business, operations, financial position, cash flows, and future prospects. Thus, this will also adversely affect Medgulf after the Effectiveness of the Merger Resolution.

### 1.4.3 Risks related to obtaining consent on the Merger from Buruj's contracting parties

Buruj is a party to several contracts, some of which are material and others are immaterial to its business individually. Some of these contracts may contain restrictions or conditions that may be construed as requiring the other party's consent or notifying it of the Merger before the Effectiveness of the same. Buruj has obtained the approval of the reinsurers.

If Buruj fails to identify all required contractual consents, then Buruj may be in breach of its obligations under the relevant contracts. This breach may result in several consequences that vary according to the terms and conditions of the relevant contracts. The contract may grant the other party the right to terminate thereof, claim damages, or other remedies. In such event, and if the Merging Company fails to negotiate a waiver from the other party, it may not be able to find a suitable alternative in a timely manner or at a reasonable cost, or even it may not be able to find any alternative at all.

The materialization of any of these risks will have a material and adverse impact on Buruj's contracts, operations, financial position, cash flows, and future prospects, and will consequently have a negative impact on Medgulf after the Effectiveness of the Merger Resolution.

### 1.4.4 Risks related to licenses and certificates

Like other insurance companies, Buruj is subject to a number of laws and regulations that require it to obtain the necessary licenses and permits from the relevant regulatory authorities in Saudi Arabia for purpose of conducting its business, including but not limited to: a license for conduct of insurance business from the IA, the IA's approval for every insurance product, a commercial registration certificate, a chamber of commerce membership certificate, Saudization certificates, Zakat certificates, social insurance certificates, and necessary licenses and approvals from the municipality, civil defense, and other relevant licenses and permits related to its activities. As at 30 June 2025G, Buruj has two expired municipal licenses in the city of Riyadh that are pending renewal.

Buruj shall keep these licenses and permits valid at all times until the Effectiveness of the Merger by its continuous complying with the laws, regulations, and conditions that govern the licenses and permits. Should Buruj fail to obtain all necessary licenses and permits to conduct its business, or if it fails to maintain, renew, or comply with the laws, regulations, and conditions governing such licenses and permits until the Effectiveness of the Merger Resolution, then this may result in the suspension of its operations, rejection of providing it with certain government services, or exposure to penalties and fines. This may in turn have a material and adverse impact on Buruj's business, operations, financial position, cash flows, and future prospects, and consequently would have a negative impact on Medgulf after the Effectiveness of the Merger Resolution.

### 1.4.5 Risks related to labor conditions, including Saudization requirements and the Labor Law

Like all companies in Saudi Arabia, the Ministry of Human Resources and Social Development requires Buruj to employ a specific percentage of Saudi nationals and to Saudize certain positions. In addition to the Saudization requirements applied by the Ministry of Human Resources and Social Development, Buruj was required by the IA to maintain a Saudization rate of 85% in 2024G, which increased to 87% in 2025G, and then 92% in 2026G, but Buruj did not comply with the same, which may affect Medgulf's compliance with these requirements after the Merger.

Based on the information provided to Medgulf, Buruj is compliant with the Saudization requirements of the Ministry of Human Resources and Social Development. As at 05 February 2025G, the Saudization rate reached 77%, placing the company in the Platinum category. However, Buruj is not compliant with the percentage imposed by the IA, which may result in fines or penalties, potentially including the suspension of its licenses issued by IA.

Buruj may occasionally face challenges in recruiting and retaining qualified employees, including Saudi nationals, particularly given the specialized nature of the work and the specific expertise required for appointments to leadership positions in financial institutions supervised by the Saudi Central Bank) and issued by the IA. For example, the IA requires insurance companies to appoint an actuary who holds a fellowship degree in actuarial studies from an actuarial society, in accordance with the requirements of the Actuarial Works Regulations for Insurance then issued by the Saudi Central Bank. Buruj failed to comply with this requirement, as the currently appointed employee does not hold the required fellowship degree, and was warned by the Insurance Authority in March 2024G, followed by imposing a fine of SAR 40,000 on Buruj due to its non-compliance. Buruj remains non-compliant with this requirement

Should Buruj fail to employ a sufficient number of Saudi nationals, or if its Saudization rate declines, or in the event that more strict Saudization requirements are imposed in the future that Buruj fails to meet, then Buruj will be exposed to fines and other penalties such as suspension of its license by the IA, suspension of work visa applications, and suspension of sponsorship transfer of non-Saudi employees. This will, in turn, materially and adversely affect Buruj's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative impact on Medgulf after the Effectiveness of Merger Resolution.

Furthermore, Buruj is subject to the requirements of the Labor Law, regulations, and instructions issued by the Ministry of Human Resources and Social Development, as well as social insurance requirements, including compliance with the provisions of employment contracts, registration of employees in the social insurance system, provisions of health insurance for employees, application of the wage protection system (WPS), and other related requirements. Failure to comply with the Labor Law and its requirements may result in the imposition of penalties, including services suspension or closure of the facility, imposition of fines, employees' request for termination of their contracts, or the payment of compensation to employees. Note that in January 2024G, Buruj was fined by the General Organization for Social Insurance (GOSI) due to the registration of a fictitious participant as an employee, despite the absence of an actual employment relationship. The fine amounted to SAR (55,718), which was duly paid by Buruj.

Furthermore, Buruj is exposed to risks related to non-Saudi employees, including an increase in labor fees and work and residence permits renewal fees, imposition of any restrictions on the employment of non-Saudi employees, or the resignation of such employees due to the increased cost of living in Saudi Arabia, any restrictions on air travel and entry and exit from Saudi Arabia, and other factors, which may affect a materially and adversely Buruj's business, operations, financial position, cash flows, and future prospects, and may consequently have impact on Medgulf after the Effectiveness of the Merger Resolution.

#### **1.4.6 Risks related to the Buruj's operation in a sector highly regulated and exposed to risks of changes in the regulatory environment**

The sector in which Buruj operates is highly and tightly regulated, and Buruj, like other insurance companies, is subject to a number of laws and regulations in Saudi Arabia, most notably the Cooperative Insurance Companies Control Law and its regulations, in addition to the circulars and regulations issued by the IA. Laws and regulations applicable in Saudi Arabia are subject to continuous change and development from time to time, with or without prior notice. As a result, Buruj may not be able to comply with these rapidly changing laws at all times or may incur costs to keep up with and adhere to them. For example, a draft of the Insurance Law was published in June 2025G and is expected to expand the authorities of the IA and improve its supervision of insurance companies. This law is expected to increase supervision and costs of insurance companies.

Being subject to such laws and regulations, Buruj is required to comply with various requirements, including periodic disclosure requirements and submission to audits and reviews. Buruj is required to submit different periodic and up to date reports, with a high degree of accuracy and detail to the IA and other regulatory authorities. The disclosure of financial and non-financial information depends on the integrity and accuracy of the Buruj's control environment, systems, and operators. Such requirements result in higher compliance costs compared to companies in less regulated sectors. In addition, given that Buruj must comply with numerous regulatory authorities and their constantly evolving requirements, Buruj may not be in full compliance with all applicable requirements of each regulator at all times.

Any failure by Buruj to comply with these numerous requirements imposed upon it shall render it liable to penalties imposed by the competent authorities, which may include fines and other sanctions such as the suspension or revocation of licenses or permits. Buruj may also be subject to regulatory investigations, and if any of these investigations conclude that Buruj or Medgulf has not comply with the applicable regulations, this may result in the imposition of substantial fines and penalties or regulatory restrictions causing the disruption of operations. Buruj was previously subject to a number of fines for violations committed by it. The amounts of these fines are as follows: SAR 1,170,000 in 2021G, SAR 80,000 in 2022G, SAR 250,000 in 2023G SAR 300,000 in 2024G, and SAR 227,000 in the first half of 2025G. These fines are in addition to warnings served to Buruj by the IA. Violations included non-compliance with Saudization requirements, insufficient risk management, delay in submission of reports, inadequate Know Your Customer (KYC) checks, failure to respond to customer complaints, violations related to Anti-Money Laundering (AML) and cybersecurity requirements, and other violations.

Any change to the regulatory framework of the insurance sector, including any amendment to existing laws or enactment of new laws, may result in incurring compliance costs associated with such new laws, reduced profit margins, operational

difficulties, or even non-compliance with any new or amended law. This may have a negative impact on the operations and profit margins of Buruj and may lead to penalties, business disruptions, or other adverse consequences.

The occurrence of any of these risks will have a material and adverse impact on Buruj's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on Medgulf after the Effectiveness of the Merger Resolution.

#### **1.4.7 Risks related to the adequacy of insurance coverage**

The operations of the Buruj may be affected by a number of risks and events, including but not limited to natural disasters, acts of terrorism, sabotage, and war-related events, for which adequate insurance coverage may not be available on commercially reasonable terms. Furthermore, the seriousness and frequency of various events, such as sudden accidents and other unfortunate events, work interruptions, or potential damage to its property resulting from human error or other causes, may all lead to Buruj's incurring substantial losses and exposes it to numerous liabilities.

As at 30 June 2025G, Buruj has six insurance policies from which it benefits: (a) five of which are issued by Buruj itself, namely electronic equipment insurance, property all risks insurance, general third-party liability insurance, directors and officers liability insurance, and motor insurance (which expired on 12 July 2025G); and (b) a health insurance policy for employees, which is issued by another insurance company.

The arrangement of Buruj insuring itself results in several risks, the most significant of which is the potential unenforceability of the contract, as the contract is only formed through the mutual consent of parties, and it is inconceivable for a person to enter into a contract with themselves, even if it is a legal person. Accordingly, the contract may be nullified in the future, and it can also be argued that contracts of Buruj and itself involve a conflict of interest for all board members, which was neither disclosed nor approved. All of this may leave Buruj without insurance coverage. Furthermore, insurance policies include a number of events excluded from coverage and other limitations related to the insurance coverage that are negotiated with the insurance company. In addition, the ability of Buruj to obtain its due compensation from the insurance company depends on the financial solvency of the insurance company and its ability to pay value of this compensation. Therefore, the insurance may not cover all losses, which may be incurred by Buruj, as these losses may exceed the limits of the insurance policies or fall outside the scope of the insurance coverage provided for in these policies. In the event that Buruj fails to have adequate insurance coverage for any future risks or incidents, this may result in Buruj's loss of its property and future revenues associated with such property or instruments. In some cases, the Company may incur financial liabilities related to the damaged property. The occurrence of any of these risks will have a material and adverse impact on Buruj's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on Medgulf after the Effectiveness of the Merger Resolution.

#### **1.4.8 Risks related to personal and health data, and other data protected by law, and handling such data**

Buruj retains personal data and other data of its customers, including names, personal details, and medical claims, in addition to other data such as employees and suppliers' information and other internal and confidential company information. Such information and data—particularly personal data and medical information—are legally protected and must be collected, retained, and processed in a specific and regulated manner as the regulations impose a number of restrictions and obligations to ensure the protection of personal data, such as the requirement to obtain prior consent from the data subjects for the processing of their personal data, appointment of one or more company officer to be responsible for the company's compliance with the provisions of the Personal Data Protection Law, and the implementation of necessary organizational, administrative, and technical measures to ensure the preservation of personal data, and the notification of the competent authority in the event of any corruption, leakage, or unauthorized access to personal data, and the immediate notification of the data subject in the event that any of the foregoing results in damage to their data or self. Moreover, the CHI has issued a number of circulars emphasizing the strict confidentiality of medical information.

Buruj is neither fully compliant with the data protection provisions of the Insurance Market Code of Conduct Regulations, nor with the provisions of the Saudi Central Bank's Cybersecurity Framework, nor with the provisions of the Personal Data Protection Law and its regulations. The IA had already imposed a fine of SAR 100,000 on Buruj in 2021G for multiple cybersecurity-related violations, including those related to data protection. Should this non-compliance persist, it could result in additional fines imposed by either the IA or the Saudi Data & AI Authority (SDAIA), with penalties potentially reaching three million Saudi Riyals, in addition to claims submitted by injured parties.

The data protection measures implemented by Buruj may not be sufficient to protect personal data from leakage or unauthorized access, to provide the necessary notifications to relevant authorities regarding data breaches, or to ensure compliance with the provisions of applicable laws, given their complexity. In addition, adherence to these laws drains financial resources, time, and the employees' efforts, without any direct return. In the event of a breach of data protection laws, or the loss, theft, or corruption of personal data, or in case of unlawful disclosure thereof, Buruj's reputation and its relationship with current or potential customers will be adversely impacted. In addition, Buruj may face potential legal claims or significant regulatory sanctions. The occurrence of any of these risks will have a material and adverse impact on Buruj's business, operations, financial position, cash flows, and future prospects, and will consequently have a negative effect on Medgulf after the Effectiveness of the Merger Resolution.

#### 1.4.9 Risks related to weak governance in Buruj

As a publicly listed insurance company on the Saudi Exchange (Tadawul), the Medgulf is subject to a strict regulatory framework that includes governance and disclosure requirements imposed by the IA as the regulatory authority of the insurance sector, in addition to the CMA regulations pertaining to listed companies. These regulations require companies to have effective governance structures, competent boards of directors, and specialized committees that perform their supervisory role independently and transparently.

Despite this regulatory framework, Buruj has weaknesses in its corporate governance practices, including the classification of board member Mr. Zain Al-Abidin Barri as an independent member, despite the applicability of one of the independence negating factors set out in the Corporate Governance Regulations ("CGRs") on him, due to his membership on the board of directors of a subsidiary of Buruj (GWIS). In addition, Buruj failed to make disclosures regarding such subsidiary in its board of directors' report and on its page on the Saudi Exchange (Tadawul) website even though it is deemed to be a subsidiary under the CMA's regulations, on the basis that Buruj does not consider it a subsidiary for the purposes of financial reporting.

This weakness indicates a lack of understanding of some of the CMA's regulations. This could lead to negative consequences for Buruj's ability to comply with relevant laws and regulations in the future, increasing its risk of exposure to regulatory penalties or a decline in confidence from investors and stakeholders. Consequently, this could negatively impact on Buruj's financial and operational performance, which would in turn negatively affect Medgulf after the Effectiveness of the Merger Resolution.

### 1.5 Business risks related to Buruj

#### 1.5.1 Risks related to Buruj's low return on equity

For the years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, Buruj's return on equity was 6.7%, 4.6%, and 2.0%, respectively, compared to Medgulf's return on equity, which was 44.7%, 24.1%, and 11.0% for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. This is primarily due to:

- The low profitability of Buruj's insurance business between the fiscal years 2022G and 2024G, which was mainly caused by incurred losses in the motor segment (specifically, losses from the third-party motor insurance product written through online aggregators, which suffers from a high loss ratio), in addition to Buruj's inability to achieve growth in the medical segment due to intense market competition. (Please refer to Section 1.5.2, "**Risks Related to the Minimal Contribution of Insurance Business to Buruj's Profitability**," for more details on the results of Buruj's insurance business).
- The decline of Buruj's share in some profitable insurance plans, particularly the Hajj and Umrah insurance revenues, which dropped from SAR 13.9M in the fiscal year 2022G to SAR 1.9M in the fiscal year 2024G, due to another insurance company becoming the sole provider of this product. Additionally, revenues from the COVID-19 insurance product decreased from SAR 8.1M in the fiscal year 2022G to zero in the fiscal year 2024G due to the end of the pandemic.

A continued decline in Buruj's income may have a material negative effect on the Merging Company's return on equity after the Effectiveness of the Merger Resolution, and on its operations and profitability after the Effectiveness of the Merger Resolution.

### 1.5.2 Risks related to the minimal contribution of insurance business to Buruj's profitability

The results of insurance business contributed minimally to the profitability of Buruj, as the net outcome of insurance services as a percentage of total insurance revenue amounted to (13.6%), 1.3%, and 3.8% for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. This is primarily due to:

- The losses incurred in the motor segment, which represents 63.1%, 67.7%, and 63.7% of Buruj's total insurance revenues for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively, and which incurred losses of SAR (61.7) million, SAR (9.0) million, and SAR (2.6) million in these years, respectively. These losses primarily resulted from third-party motor insurance policies written through online aggregators, which Buruj launched the use of in 2022G, and which has suffered from a high loss ratio due to the sensitivity of its customer base towards price changes.
- Despite Buruj earning profits from the medical segment of SAR 10.2M, SAR 20.2M, and SAR 11.6M in the fiscal years ended 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively, Buruj was unable to increase the total insurance revenue for this segment due to intense market competition based on price reduction, which could result in an increase in the loss ratio.

Given the sensitivity of Buruj's customers towards price changes, any additional strategic changes or continued price reduction-based competition may result in a continuous loss of customers, which would negatively impact on the company's profitability. In the event that Buruj continues to lose customers, its operational income may be significantly impacted, increasing its reliance on its portfolio returns to offset this decline. This increased reliance may result in a material adverse impact on Medgulf's business, financial condition, operation results, and future prospects following the Effectiveness of the Merger Resolution (please refer to Section (1.5.3) "**Risks Related to Investment**" for further details on Buruj's investment strategy and its impact on the company's profitability).

### 1.5.3 Risks related to investment

Insurance companies must generally develop a written investment policy approved by the Board of Directors that regulates investment operations and methods of managing investment portfolios. In addition, they must manage their investments in an appropriate manner and within the limits permitted by law, including separating investments according to the type of invested assets. As at 31 December 2024G, Buruj's investment portfolio amounted to SAR 245.2M, most of which is concentrated in investments with high liquidity.

The investment portfolio of Buruj violated numerous IA regulations and requirements. Specifically, Buruj exceeded three different limits imposed by the IA, which are: The maximum allowable investment in foreign currency funds, the minimum percentage of investment in Saudi government bonds, and the maximum allowable investment in unlisted shares. Furthermore, as at 31 December 2024G, the value reported in the financial statements for the Buruj's investment portfolio did not include an impairment of assets facing recovery difficulties, which creates several issues related to compliance and valuation in Buruj's investment strategy.

Among its investment-related violations, Buruj reduced the weight of Saudi government bonds in its investment portfolio in favor of higher-yielding bonds from countries such as the Sultanate of Oman and the Republic of Lebanon. Buruj has specifically purchased Lebanese government bonds at a discount of over 50% following Lebanon's failure to repay the bonds and the prices deterioration of the Lebanese government bonds. So far, the Lebanese government has been in default for more than four years and has not yet began restructuring discussions with creditors. Although Buruj recognizes fair value losses on these bonds, these securities are not easily liquidated, especially under the current geopolitical environment, and their carrying value may not represent their fair value.

As at 31 December 2024G, Buruj holds a short-term deposit of SAR 14.5M with a bank in Lebanon. Due to the economic situation in Lebanon, Buruj was unable to withdraw this deposit for three years. However, Buruj failed to recognize additional provisions for expected credit losses, based on the bank's credit rating. Buruj's inability to withdraw these balances for more than three years, in addition to the geopolitical risks, suggests that the company may have to reduce the reported value of that Lebanese deposit to zero.

Accordingly, Medgulf will review the investment portfolio of Buruj, which will be transferred to it upon the Effectiveness of the Merger Resolution, to ensure that the portfolio complies with its investment regulations and is consistent with its investment policy. In the event that Buruj's portfolio does not comply with the investment regulations of Medgulf, this will require its restructuring, which may result in the liquidation of some investments at inappropriate and unfavorable prices and times, or the decline in the value of several investments to zero, which will negatively affect the



performance of the investment portfolio. In addition, even if some investments are compatible, the new investment portfolios may alter the risk level of the investment portfolio of Medgulf, as it may have concentration in different or recurring segments of Medgulf's Portfolio.

In addition, Buruj also achieved an average portfolio return (which includes bank time deposits) by 4.3%, 5.7%, and 4.5% for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. The investment portfolio's performance contributed to an increase in Buruj's profitability over the past three fiscal years (especially because the profitability of the insurance business was low during that period). The operational results of this investment portfolio depend on the performance of the investments therein, which differ according to the investment instrument and the related segment. They are also affected by general economic conditions, the level of market volatility, market price fluctuations, liquidity and credit risks, in addition to political and security conditions. Buruj investment income was supported by a favorable interest rate environment and a less conservative investment strategy adopted by Buruj's Management (as stated above). Consequently, the fluctuations in these factors, such as a decrease in interest rates or compliance with the balances set by the Insurance Authority, will have impact on the company's profitability. In the event that the investment portfolio of Buruj incurs significant losses due to the high-risk assets that it invests in, the assets and liabilities of Buruj may be affected, causing a substantial and negative impact on the business, financial position, operations results, and future prospects of Medgulf following the Effectiveness of the Merger Resolution.

The realization of any of the above risks will affect the assets and liabilities of Buruj and thus will have a negative and material impact on Medgulf's business, financial position, operations and future prospects after the Effectiveness of the Merger Resolution.

#### 1.5.4 Risks related to the concentration of written premiums within the motor insurance segment

Buruj's GWP is primarily concentrated in the motor segment, followed by medical segment. While Buruj's strategy of focusing on the health and motor insurance segments has helped maintain the profitability of its medical insurance portfolio, the significant exposure to motor insurance policies sold through online aggregators with low margins and high losses has generated in losses for Buruj. The table below illustrates the concentration of GWP over the past three years.

**Table (1.5.1): Buruj GWP Concentration**

| Segments              | December 31, 2022G |                                      | 31 December 2023G  |                                      | 31 December 2024G  |                                      |
|-----------------------|--------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|--------------------------------------|
|                       | Written Premiums   | Percentage to gross written premiums | Written Premiums   | Percentage to gross written premiums | Written Premiums   | Percentage to gross written premiums |
| Motor                 | 241,236,146        | 65%                                  | 281,522,079        | 67%                                  | 246,327,639        | 66%                                  |
| Medical               | 76,417,082         | 21%                                  | 97,481,325         | 23%                                  | 69,626,275         | 19%                                  |
| Property and Casualty | 51,186,123         | 14%                                  | 43,797,315         | 10%                                  | 57,786,931         | 15%                                  |
| <b>Total</b>          | <b>368,839,351</b> | <b>100%</b>                          | <b>422,800,719</b> | <b>100%</b>                          | <b>373,740,845</b> | <b>100%</b>                          |

Source: Buruj's Financial Statements

Note: percentages are rounded.

The concentration of Buruj's insurance activities within the motor segment has a direct impact on the distribution of Buruj's insurance portfolio. The concentration of total written premiums within this segment followed by medical segment makes Buruj more vulnerable to factors affecting these segments unlike the more diversified companies, particularly if demand for motor and medical insurance products decreases, or if Buruj fails to renew existing insurance policies or cannot obtain underwriting for new insurance policies.

Furthermore, medical insurance represents the largest segment in Medgulf, followed by motor insurance as well, which will exacerbate the concentration risk. Based on the Pro Forma Financials for the fiscal year ended 31 December 2024G, the combined concentration of these two segments reached 90.2% of the total GWP of the Merging Company upon the Effectiveness of the Merger Resolution, as if the merger had been effected on 1 January 2024G. Accordingly, any adverse developments in either of these two segments would have a material adverse impact on the Merging Company's business, financial position, operating results, and future prospects following the effectiveness of the Merger.

#### **1.5.5 Risks Related to Dependence on brokerage companies, particularly online aggregators**

Policies sold through brokerage companies—and, in particular, online aggregators constitute a significant portion of Buruj's motor segment's insurance revenue. The concentration of insurance revenues in specific distribution channels that rely on third parties exposes Buruj to potential revenue volatility and adverse impacts if such parties increase their service fees or experience business disruptions or slowdowns.

The proportion of GWP generated through brokers represented 53.0%, 62.7%, and 61.2% of total GWP for the fiscal years ended 31 December 2022G, 2023G, and 2024G, respectively. Online aggregators also represented 38.2%, 46.6%, and 47.9% of total GWP during those same periods.

These percentages are concentrated in the motor segment, where GWP generated through brokers represented 72.7%, 76.9%, and 71.2% of total motor insurance GWP for the fiscal years ended 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. Online aggregators in this segment represented 58.0%, 58.6%, and 58.0% of motor insurance GWP for those same periods.

Reliance on online aggregators often requires competitive pricing to attract customers, which may result in lower profit margins, especially for products such as third-party liability policies. Buruj's motor insurance portfolio—particularly third-party liability policies—has recorded high loss ratios, ranging from 78.3% to 95.9% during the fiscal years 2022G–2024G. This is primarily attributable to the focus on low-margin policies issued through online aggregators.

The need to maintain competitive pricing to retain market share via electronic insurance brokerages may limit Buruj's ability to improve the profitability of its GWP. Policies sold through such channels tend to be more price-sensitive, with customers often switching providers based on the lowest available premium. This can lead to lower customer retention rates and higher churn rates, making it challenging for Buruj to build long-term customer relationships. This negative impact is likely to persist, affecting the profitability of the motor insurance segment in future years.

Moreover, any changes in the business model, market positioning, or regulatory environment of online aggregators could directly impact Buruj's revenues. For example, if online aggregators increase their commission rates or encounter operational challenges, Buruj's revenues could be adversely affected. The realization of any of these risks will affect the assets and liabilities of Buruj and thus will have a negative and material impact on the business, financial position, operations results and future prospects of Medgulf, after the Effectiveness of the Merger Resolution.

#### **1.5.6 Risks Related to Achieving the Profitability Strategy for the Motor Insurance segment**

Buruj's revenues from the motor segment declined from SAR 263.1 million in the fiscal year 2022 to SAR 237.4 million in the fiscal year 2024G. Buruj's management attributed this decline to adopting a more selective underwriting approach, particularly with respect to high-risk individual policies (specifically third-party liability), in line with its profitability enhancement strategy. In 2024G, Buruj began redirecting its motor insurance business activity from a focus on individual third-party liability insurance customers to a greater focus on corporate client, aiming to increase profitability. However, there is no assurance that Buruj will succeed in this strategic plan. Accordingly, it may continue to incur losses in this segment. Such continued losses could have a material adverse effect on Medgulf's business, financial position, operating results, and future prospects following the Effectiveness of the Merger.

### 1.5.7 Risks Related to the Impact of Cost Rationalization Measures on the Buruj's Operations

Over the past three years, Buruj has implemented a cost rationalization strategy in order to minimize the impact of underwriting losses. This strategy included reducing employee headcount, downsizing office space, and closing several sale points, in addition to other measures. As a result, the number of employees declined from 242 in December 2021G to 171 in December 2024G. Buruj has attributed this reduction primarily to a shift from reliance on sales staff to reliance on brokers. However, staff reductions also occurred within the finance and risk functions, leaving several key positions vacant.

Findings of Buruj's internal audit report and regulatory authority's reviews identified operational deficiencies and shortcomings in Buruj's internal systems, some of which were linked to vacant positions—such as the absence of an Anti-Money Laundering (AML) Officer—which, among other things, resulted in a SAR 220,000 fine in October 2023G. Reducing headcount—particularly in vital functions such as Finance and Risk—combined with the closure of numerous points of sale, may result in operational inefficiencies and increase risk exposure. Such developments could have a material adverse impact on Buruj's business, operating results, financial position, and future prospects, and, consequently, could also negatively affect the business, financial position, operating results, and future prospects of Medgulf following completion of the Merger.

### 1.5.8 Risks Related to Buruj's loss ratio

Buruj's underwriting quality deteriorated significantly between FY2021G and FY2022G, as the loss ratio (defined as net claims and other benefits incurred divided by net earned premiums, in accordance with IFRS 4 "Insurance Contracts") increased from 58.3% in FY2021G to 92.1% in FY2022G. This deterioration was primarily attributable to the motor segment, where growth was largely driven by low-margin retail Third Party Liability ("TPL") policies sold through online aggregators that typically exhibit higher loss ratios compared to comprehensive insurance policies. Additionally, the company's focus on the Small and Medium Enterprises ("SME") sector within the medical insurance segment contributed to increased losses during the same period.

Between fiscal year 2022G and fiscal year 2024G, the loss ratio showed gradual improvement, declining from 79.1% in fiscal year 2023G to 70.8% in fiscal year 2024G. This improvement occurred as a result of a more selective underwriting approach and a deliberate reduction in issuance of high-risk TPL motor policies. Nevertheless, this product category continues to constitute a potential future profitability risk due to high claims frequency and extended claims lifecycles (which can reach up to 12 months). Consequently, the loss ratio could increase again in the future.

Furthermore, the loss ratio in fiscal year 2024G was impacted by the reversal of provision for incurred but not reported claims, as a result of a change in provisioning methodology, as well as the reversal of unclaimed surplus distributions after a five-year period. These reversals are non-recurring every year. Accordingly, their impact results for a single year only; hence, the loss ratio may rise again in future periods, adversely impacting the company profitability.

In the medical segment, the loss ratio rose to 70.8% on 31 December 2024G, compared to 48.0% on 31 December 2023G. This increase was primarily due to the launch of a new group health insurance product for large corporates, in the first half of 2024G, which generated high losses. This line may continue to incur losses, which could affect Buruj's results and, in turn, the business, financial position, operations results, and future prospects of Medgulf following completion of the Merger.

### 1.5.9 Risks related to the collection of accounts receivable

Buruj's operations depend on the timely collection of receivables from its customers. The table below sets out details of Buruj's receivables, including the total receivables balance— comprising receivables from related parties and from reinsurers, together with the provisions taken against such receivables and their percentage of total receivables.

**Table (1.5.2): Details of Buruj's Receivables**

| Customer(s)                                    | 2022G (SAR in thousands) | Accounts Receivable Concentration Ratio for 2022G | 2023G (SAR in thousands) | Accounts Receivable Concentration Ratio for 2023G | 2024G (SAR in thousands) | Accounts Receivable Concentration Ratio for 2024G |
|------------------------------------------------|--------------------------|---------------------------------------------------|--------------------------|---------------------------------------------------|--------------------------|---------------------------------------------------|
| Policyholders (including brokers)              | 77,007.9                 | 75.28%                                            | 116,717.22               | 79.59%                                            | 123,181.6                | 79.92%                                            |
| Related Parties                                | 14,987.4                 | 14.65%                                            | 11,995.08                | 8.22%                                             | 16,028.1                 | 10.4%                                             |
| Receivable Premiums                            | 91,995.3                 | 89.93%                                            | 128,712.16               | 87.81%                                            | 139,209.7                | 90.32%                                            |
| Reinsurance Companies                          | 10,302.9                 | 10.07%                                            | 17,782.1                 | 12.19%                                            | 14,914.9                 | 9.68%                                             |
| <b>Total Account Receivables</b>               | <b>102,298.2</b>         | <b>100%</b>                                       | <b>146,494.2</b>         | <b>100%</b>                                       | <b>154,124.6</b>         | <b>100%</b>                                       |
| Provision for Expected Credit Loss ("ECL")     | (17,120.6)               | N/A                                               | (14,373.6)               | N/A                                               | (15,081.2)               | N/A                                               |
| <b>Net Accounts Receivable</b>                 | <b>85,177.6</b>          | <b>N/A</b>                                        | <b>132,120.7</b>         | <b>N/A</b>                                        | <b>139,043.4</b>         | <b>N/A</b>                                        |
| Provisions as a % of Total Accounts Receivable | 16.7%                    | N/A                                               | 9.8%                     | N/A                                               | 9.8%                     | N/A                                               |
| Total Receivables as a % of GWP                | 27.7%                    | N/A                                               | 34.7%                    | N/A                                               | 41.2%                    | N/A                                               |

Source: Buruj

During the financial year ended 31 December 2023G, Buruj adopted IFRS 9 "Financial Instruments", as accredited in Saudi Arabia, which replaces IAS 39 "Financial Instruments: Recognition and Measurement." Accordingly, the expected credit loss model was adopted to calculate provision for doubtful debt, replacing paragraph (2-d) of Article 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. As a result, provision for ECL as a percentage of total receivables decreased from 16.7% as at 31 December 2022G to 9.8% in both 31 December 2023G and 31 December 2024G. This occurred, despite an increase in the proportion of overdue insurance premium receivables exceeding 180 days—from 28.0% of total insurance receivables as at 31 December 2022 to 39.3% in December 2024G.

The table below sets out the ageing of Buruj's insurance receivables:

**Table (1.5.3): Ageing of Buruj's Insurance Receivables**

| Customer(s)                      | 2022G (SR in thousands) | 2023G (SR in thousands) | 2024G (SR in thousands) |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Day 0 - 30                       | 21,980.2                | 35,068.06               | 36,288.6                |
| Day 31 - 60                      | 20,483.0                | 7,431.3                 | 18,040.0                |
| Day 61 - 180                     | 23,767.7                | 35,518.3                | 30,153.7                |
| Day 181 - 360                    | 18,228.1                | 36,919.8                | 26,647.1                |
| Over 360 days                    | 7,536.3                 | 13,774.7                | 28,080.2                |
| <b>Total Premium Receivables</b> | <b>91,995.3</b>         | <b>128,712.16</b>       | <b>139,209.7</b>        |

Source: Buruj

If Buruj fails to set aside adequate provisions against these accounts receivable, or if it is unable to collect the full receivables, or if its collection rate declines, Buruj will be forced to write off such debts as bad debts, which impacts negatively on the business, financial position, operations results, and future prospects of the Merging Company.

Total accounts receivable increased from SAR 102.3 million as at 31 December 2022G to SAR 154.1 million as at 31 December 2024G, as a result of an increase in balance accounts receivable from the CHI, which has longer settlement periods; high receivables from the Lease-to-Own Motor Insurance product following launching this product during this period; and an increase in receivables outstanding for more than 360 days due to delayed payments by certain customers.

Customers may delay payments, request modifications to their payment arrangements, default on their obligations, or disputes may arise regarding contract values or amounts payable to Buruj. These factors may increase the likelihood of its inability to collect such amounts from its customers, potentially reducing the Company's working capital. Buruj may not be able to recover these accounts receivable, which may adversely impact on Medgulf's business, financial position, operations results and future prospects after effectiveness of the Merger Resolution.

#### **1.5.10 Risks related to potential tax and zakat liabilities**

Buruj is subject to zakat and tax laws in Saudi Arabia, under which zakat is calculated by 2.5% of the approximate zakat base or modified net profit, whichever is higher in accordance with the applicable zakat and tax laws. The most important components of each company's Zakat base according to the Zakat regulations consist mainly of shareholders' equity, provisions, long-term loans, modified net profit less net book value of property, factories, investments, fixed assets, and certain other items. The zakat provision balance of Buruj amounted to SAR 26.5 million, SAR 20.8 million, and SAR 10.8 million as at 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively.

With respect to zakat returns, Buruj requested to resubmit its zakat returns for 2021G and 2022G in accordance with the new zakat regulations. The Zakat, Tax and Customs Authority (ZATCA) approved the request and issued zakat assessments of SAR 376,260 and SAR 897,995, respectively, which Buruj accepted. For 2023, ZATCA issued a zakat assessment of SAR 2,029,802, which Buruj paid in full as final settlement of the obligation.

Regarding VAT, ZATCA issued assessments for the years 2021G and 2022G (after reductions upon Buruj's objections) amounting to SAR 312,478 and SAR 579,465, respectively, which Buruj paid in full as final settlement. As for 2023 VAT returns, these remain under audit by ZATCA, and no assessments have been issued as at the date in which Medgulf conducted due diligence.

Buruj submitted its 2024G tax returns within the required deadlines, and ZATCA has not assessed these returns as at the date in which Medgulf conducted due diligence.

ZATCA has the authority to reassess returns for audited years and issue additional assessments for five years from the end of the relevant fiscal year, and this period extends to ten years in the case of presence of fraud, misrepresentation, or tax evasion.

If ZATCA issues zakat or tax-related decisions requiring Buruj to pay differences, penalties, or additional obligations, this would negatively affect Buruj's business, financial position, operations results, cash flows, and future prospects, and consequently adversely affect Medgulf after the Effectiveness of the Merger Resolution.

#### **1.5.11 Risks related to the management of the Unearned Premium Reserve (UPR)**

Insurers face risks in managing the Unearned Premium Reserve ("UPR"), which represents the portion of premiums received that have not been earned yet, because the related coverage period has not expired. This reserve is a key component of the company's financial statements as it directly has impact on the timing of revenues recognition and the level of available liquidity. Buruj's financial performance is partly dependent on the accuracy of its estimation of this reserve and the efficiency of its amortization over time.

Buruj's medical insurance revenues declined by 24% in fiscal year 2023G compared to 2022G due to the accumulation of new reserves within the UPR, which resulted in postponement of recognition of a significant portion of revenue. Conversely, revenue increased by 27% between 2023G and 2024G due to amortization of UPR provisions accumulated in prior periods. These changes reflect the extent to which revenues are affected by the timing of the management and depletion of this reserve.

Any delay in amortizing the reserve could result in significant volatility in revenues and profits, affecting Buruj's ability to accurately forecast its financial performance and manage liquidity, and potentially constraining its ability to execute its operational and investment plans in a timely manner. This could also make it more challenging for investors to assess the company's true short-term performance.

## 1.6 Risks related to the insurance sector in which Buruj operates

### 1.6.1 Risks related to the economic performance of the Kingdom

The performance of the insurance sector is dependent on the overall performance of the economy of the Kingdom of Saudi Arabia, including inflation, GDP growth, per capita income and other economic factors. Despite the Kingdom's remarkable economic diversity, its economy still depends mainly on oil and oil industries, which still control a large share of GDP. Accordingly, any unfavorable fluctuations in oil prices will have a direct and material effect on the growth plans of the Saudi economy in general and on government spending rates, which will negatively affect the spending of the rest of the participants in the sector, and consequently the insurance sector as a whole.

Moreover, the continued growth of the Saudi economy depends on several other factors, including continued population growth and public and private sector investments in infrastructure. Therefore, any change in any of these factors will have a significant impact on the economy, which will negatively affect the insurance sector.

The realization of any of the above risks will affect the assets and liabilities of Buruj and thus will have a negative and material impact on of Medgulf's business, its financial position, operations and future prospects after the Effectiveness of the Merger Resolution.

### 1.6.2 Risks related to technical systems and cybersecurity

The ability of Buruj to conduct its business and to accurately and effectively control its operations and costs is highly dependent on its information network and the strength of their information technology and cybersecurity systems. Risks associated with IT systems, both internal and external, such as malware, programming flaws, attempts to penetrate the networks, unavailability of required updates or modifications, data leaks, and human error, pose a direct threat to the data and business.

It should be noted that Buruj experienced a malware attack on its systems in December 2022G, and similar incidents may occur again in the future. It should also be noted that Buruj is not in compliance with the requirement to maintain a maturity level of (3) as per the Cybersecurity Framework of the Saudi Central Bank (SAMA), nor with the requirement to appoint an external assessor to review its self-assessment of compliance with cybersecurity requirements. The IA has imposed previously a fine of SAR 100,000 on Buruj in 2021G due to multiple cybersecurity violations. As of the date of this Circular, Buruj remains non-compliant with various cybersecurity requirements. There is no assurance that Buruj's IT systems will be able successfully to withstand cyberattacks. In the event of attack of the technical systems, this would have an adverse effect on Buruj's business, assets, and programs, and would, in turn, have a material negative impact on the business, financial position, operating results, and future prospects of Medgulf following the Effectiveness of the Merger Resolution.

Buruj's IT systems may also suffer failures due to unforeseen force majeure events or cyberattacks. Such events could result in the loss of critical information or the leakage of confidential and sensitive information relating to the business or customers of the company or expose it to legal accountabilities. In addition, Buruj may incur significant operational costs and liabilities as a result of upgrading its IT systems or adopting additional measures to protect its data or IT systems. The systems belonging to Buruj or third-party service providers may also be susceptible to security breaches, cyberattacks, sabotage, theft, viruses, loss or damage to data or programming, human errors, or similar events. It may be difficult to anticipate any breaches of information systems, take appropriate preventive measures, or detect and address any threat quickly enough. Any security breach, cyber terrorism, sabotage, theft, presence of viruses, loss or damage to data or programming, or any human errors by employees of Buruj could negatively impact its assets and liabilities, which will affect negatively and materially Medgulf's business, financial position, operations results, and future prospects after effectiveness of the Merger Resolution.

### **1.6.3 Risks related to increased competition and the ability to expand in the insurance market in the Kingdom**

The competitive environment in the insurance sector is constantly increasing. Insurers are competing fiercely for the market share. The insurance sector is one of the vital sectors. The Saudi Insurance Market Report of 2024G issued by the IA revealed that the GWP in 2024G amounted to (76.1) billion Saudi Riyals, scoring a 16.3% increase compared to the previous year, when it reached SAR 65.5 billion. The sector has also witnessed a number of mergers in the past few years, in addition to several ongoing potential mergers that were announced, which may contribute to the establishment of larger and more stable competing entities. Given that one of the initiatives of the Financial Sector Development Program aims to encourage and facilitate mergers in the insurance sector, the sector is expected to witness more mergers in the future, which will increase the intensity of competition.

A limited number of insurance companies have the largest market share in the insurance sector. Thus, companies with smaller market shares, such as Buruj, lose the ability to control the pricing of their products, as they should take the pricing of the dominant companies into account. This may negatively affect the performance and profitability of small companies, as they may not have the same low costs as insurance companies with a larger market share, and therefore will have a lower profit margin.

Any change in the competitive environment, such as an increase in the number of competitors in the sector, the introduction of new products or services, increased price competitiveness, or other factors, may cause a decrease in the market share of Buruj or the prices of its products, as well as its profit margins. The realization of any of the risks will affect the assets and liabilities of Buruj and thus will have a negative and material impact on Medgulf's business, financial position, operations results and future prospects after the Effectiveness of the Merger Resolution.

### **1.6.4 Risks related to the insurance business nature and its impact by economic factors**

The insurance sector globally witnesses periodic changes with significant fluctuations in operating results, due to competition, catastrophic events, economic and social conditions that all countries go through from time to time in general, and other factors beyond the control of companies operating in the insurance sector. Consequently, this may result in periods characterized by price competition resulting from excess supply, as well as periods in which companies are able to obtain better insurance premium prices.

The business cycle of insurance companies is expected to change from time to time due to surrounding circumstances, which could negatively affect the assets and liabilities of Buruj, and thus would have a material and adverse impact on Medgulf's operations, financial position, operations results, and future prospects after Effectiveness of the Merger Resolution.

### **1.6.5 Risks related to political and security conditions**

Although the Kingdom of Saudi Arabia gratefully enjoys domestic political stability and good international relations, many countries in the Middle East region are currently suffering from political or security instability, and this may have a negative impact on the insurance market in the Kingdom. Diplomatic relations with certain countries, or the prevailing economic and political conditions there, may affect the economy or the willingness of foreign investors to engage in direct investment or investment in the Saudi Arabian financial market in general, or in the insurance market in the Kingdom.

Major unexpected changes may occur in the political, economic or legal environment in the Kingdom of Saudi Arabia, or in any other country in the Middle East, including, but not limited to, fluctuations in the markets, economic recession, insolvency, high unemployment rates, technological transformations, and other developments that may adversely and materially affect the insurance market in the Kingdom. This will also adversely affect the assets and liabilities of Buruj, and consequently will adversely affect Medgulf's business, financial position, operation results and future prospects after effectiveness of the Merger Resolution.

### 1.6.6 Risks related to insurance culture in Saudi Arabia

Society's perception of the insurance sector, along with awareness of the need for insurance and its various segments and products, is one of the most important factors influencing the success of the sector and the insurance companies operating therein. The current insurance culture may not be sufficient, as individuals and even companies do not get all the insurance products they may need compared to some other countries. In addition, individuals and entities' willingness to have insurance may be influenced by the extent to which insurance products comply with the Sharia principles, or even their own expectations or perceptions, or rumors regarding such compliance.

In the event that the insurance culture remains the same or decreases, this will be directly reflected in the value of contributions and, consequently, in the total income and profits, which will negatively affect the assets and liabilities of Buruj and, consequently, will negatively and materially affect Medgulf's business, financial position, operation results and future prospects after effectiveness of the Merger Resolution.

### 1.6.7 Risks related to restrictions on share ownership in insurance companies

The Cooperative Insurance Companies Control Law imposes certain restrictions on the ownership of shares in insurance companies. According to Article (38) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the insurance company shall notify the IA of the ownership percentage of any person who owns (5%) or more of the company's shares through a quarterly report prepared by the company. In addition, any person owning five percent (5%) or more of the insurance company's shares shall notify the IA in writing of their ownership percentage and any changes thereof within 5 working days of the date of occurrence of such event. The IA usually places restrictions on such substantial shareholders, so that they are not allowed to dispose of their shares without obtaining the IA's approval.

Such restrictions may limit the ability of insurance companies to attract strategic investors, if the IA refuses or delays issuing the required approvals or imposes conditions that investors could not meet, or if the investors refuse to constrain their investments. This may affect the willingness to invest in insurance companies, which may cause such companies to be unable to obtain the strategic expertise that come with strategic investors. The realization of these risks may have a material and negative impact on Medgulf's business, financial position, operation results and future prospects after Effectiveness of the Merger Resolution.

### 1.6.8 Risks related to preventive regulations

Buruj, like all insurance companies, is subject to a number of preventive and regulatory requirements imposed by the IA, including cash exposure limits, reserves, financial provisions, impairment provisions, etc., which aim to maintain the soundness and stability of the financial positions of insurance companies and their alignment with economic, societal and other objectives and to reduce their exposure to risks.

Any alteration to these laws, regulations and requirements or their execution could have a material adverse effect on the insurance companies' business, financial position, operation results or future prospects. Any alteration to the IA's regulations or policies will also affect cash exposure limits, reserves, impairment provisions, related financial provisions and other relevant ratios, which could increase costs for insurance companies or reduce their profit margins.

The realization of any of the above risks will adversely affect the assets and liabilities of Buruj and thus will have a negative and material impact on Medgulf's business, financial position, operations results and future prospects after the Effectiveness of the Merger Resolution.

### 1.6.9 Risks related to the vehicle market and the transportation sector in the Kingdom

Motor insurance GWP accounted for 65.4%, 66.6%, and 65.9% of Buruj's total GWP for the fiscal years ended 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. Accordingly, Buruj's operating and financial performance is significantly dependent on the transportation sector, and will be positively or negatively impacted by developments in this sector. Despite the Kingdom's ongoing economic prosperity, the private motor transportation sector is particularly susceptible to contraction due to the expansion of the public transport system, specifically in Riyadh, due to operation of Riyadh Metro and the development of the city's bus network.



Any contraction in this sector will reduce the number of vehicles requiring insurance, and this will negatively affect the motor insurance revenues, which will have a material and negative impact on Medgulf's business, financial position, operation results and future prospects after the Effectiveness of the Merger Resolution.

#### **1.6.10 Risks related to the health segment**

The health insurance GWP accounted for 20.7%, 23.0%, and 18.6% of Buruj's total GWP for the fiscal years ended on 31 December 2022G, 31 December 2023G, and 31 December 2024G, respectively. Accordingly, the operational and financial performance of Buruj is dependent on the health sector substantially and will be positively or negatively affected by changes in this sector. Despite the economic prosperity that the Kingdom is witnessing, the health sector is vulnerable to contraction in terms of patients who need private insurance, as the Kingdom's government may provide insurance to citizens and privatize the sector, the number of patients who subscribe to health insurance to get these services may decrease.

Any contraction in this sector will reduce the number of patients needing insurance. Accordingly, this will negatively affect the health insurance revenues, which will negatively and materially impact on Medgulf's business, financial position, operation results and future prospects after the Effectiveness of the Merger Resolution.

#### **1.6.11 Risks related to non-compliance with the regulations of the Council of Cooperative Health Insurance**

The health insurance products provided by Buruj are subject to supervision of the Cooperative Health Insurance Council (whose powers over the health insurance sector were transferred to the IA in March 2024G). The Cooperative Health Insurance Council requires compliance with special requirements for providing medical products, including providing a specialized medical team to give the approvals within a period not exceeding (60) minutes from submission of the approval application and payment of the amounts due to medical service providers such as hospitals, clinics, etc. within a period not exceeding (30) days.

Complying with these requirements is costly and complex, and requires robust regulations and dedicated and specialized work teams, but this may not be possible at all times, and therefore it is difficult to comply with these requirements on a continuous basis or within the allocated budgets. Failing to do so may result in legal accountability and imposing subsequent fines or penalties, in addition to reputational risks.

Given the concentration of its business in several segments, most notably its medical insurance segment, non-compliance with the requirements of the CHI, or an increase in the cost of such compliance, will negatively affect Buruj's assets and liabilities. Accordingly, this will have a material adverse impact on Medgulf's business, financial position, operations results, and future prospects after the Effectiveness of the Merger Resolution.

#### **1.6.12 Risks related to compliance with AML/CFT regulations**

Buruj, like all insurance companies, must comply with Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT") regulations and requirements. These regulations set the procedures to be taken upon acceptance of any customer, whether an individual or a company, and also the due diligence procedures to be followed, as well as the reporting procedures for suspicious transactions and other procedures.

Complying with AML/CFT requirements is complex and time-consuming and requires robust systems and dedicated and specialized teams, which may not be available at all times, and therefore it is difficult to comply with these requirements on a continuous basis or within the allocated budgets. Failing to comply may result in legal accountability and subsequent fines or penalties, in addition to reputational risks.

Buruj currently operates an outdated system in its AML system and Buruj's network is still non-compliant with the technical requirements applicable to such system. Following the Effectiveness of the Merger, the Merging Company, Medgulf, will be required to ensure that Buruj's AML systems and software are updated to meet the specifications and requirements of the IA. This may result in additional costs in order to achieve the same, and unless Medgulf achieves the same, this may result in continuity of this weakness and its negative impact on Medgulf.

Failure to comply with the AML and CFT requirements or the increase of the costs associated with this compliance, will adversely affect the assets and liabilities of Buruj and will consequently have a negative and material impact on the Medgulf's business, financial position, operating results and future prospects after Effectiveness of the Merger Resolution.

### 1.6.13 Risks related to VAT, withholding tax, and E-Invoicing

Royal Decree No. (M/51) dated 05/03/1438H (corresponding to 31/01/2017G) was issued regarding approving the unified VAT agreement for the GCC countries, which came into effect as of 14/04/1439H (corresponding to 01/01/2018G G). The tax rate amounted to (5%) of the sales price and was added to the system of other taxes and fees imposed on certain sectors in the Kingdom. On 17/10/1441 H (corresponding to 09/06/2020G), the Board of Directors of ZATCA issued Decision No. (20-3-2) regarding increase of the VAT rate to 15% as of 10/11/1442H (corresponding to 01/07/2020 G). The tax is levied on the services provided and received by Buruj.

Furthermore, the E-Invoicing Regulation was adopted by ZATCA on 19/02/1442H (corresponding to 04/12/2020 G), and Phase 1 of the implementation of the Regulation commenced on the date of adoption thereof. The regulation requires entities subject to its provisions to issue electronic invoices and credit/debit notes in accordance with the prescribed requirements. Phase 2 also commenced on 08/06/1444H (corresponding to 01/01/2023G). This Phase includes additional requirements related to the mandatory integration of the taxpayer's e-invoicing system with ZATCA's platform (Fatoora) and the mandatory issuance of invoices in the prescribed format. A review of certain sample invoices issued by Buruj indicated that Buruj did not contain all legally mandatory elements within its invoices, which may expose Buruj to fines imposed by ZATCA.

Additionally, given the relatively recent implementation of the VAT law, the increase in the VAT rate, and the adoption of the E-Invoicing Regulation, Buruj may make errors in applying the relevant provisions or other VAT- and e-invoicing-related requirements under applicable laws and regulations. Such errors could result in imposing fines by ZATCA under the VAT Law, which may have a material adverse impact on Buruj's business, operating results, financial position, and future prospects, and could therefore adversely affect Medgulf's business, financial position, operating results, and future prospects following the Merger.

In addition, the Kingdom's tax regulations require the payment of withholding tax. This is a tax imposed on a non-resident who does not have a permanent establishment in the Kingdom when he or she earns income from a source in the Kingdom. The resident is responsible for remitting the amount of withholding tax in ZATCA account on the taxable amounts in the Kingdom for the non-resident.

There can be no guarantee that these taxes will not be increased, or that other fees or other taxes will not be imposed by the government in the future. Accordingly, if the tax rate is increased or new taxes or fees are imposed on companies other than those currently applied, this would negatively affect the assets and liabilities of Buruj, and thus would have a material and adverse impact on Medgulf's operations, financial position, operating results, and future prospects after effectiveness of the Merger Resolution.



## 2. Insurance market and sector information in the Kingdom of Saudi Arabia

### 2.1 Macroeconomic Overview

The size and growth potential of the insurance market in the Kingdom of Saudi Arabia depend on overall economic activity. Saudi Arabia has the largest economy in the Middle East by GDP, underpinned by a robust economic profile, strong credit ratings, and low inflation rates. In recent years, Saudi Arabia's economy has undergone significant transformation, driven by structural reforms, strategic investments, and concerted efforts to diversify away from dependency on oil. Between 2019 and 2024G, the Kingdom's real GDP recorded a compound annual growth rate (CAGR) of 3.3%.

| Real GDP Growth (Change in Annual Analysis) |             |               |             |              |             |             |
|---------------------------------------------|-------------|---------------|-------------|--------------|-------------|-------------|
|                                             | 2019G       | 2020G         | 2021G       | 2022G        | 2023G       | 2024G       |
| Oil activities                              | (3.9%)      | (6.9%)        | 1.2%        | 15.0%        | (9.0%)      | (4.4%)      |
| Non-oil activities                          | 4.9%        | (3.0%)        | 10.2%       | 12.4%        | 7.0%        | 5.2%        |
| Government activities                       | 1.7%        | (0.6%)        | 1.1%        | 4.6%         | 1.1%        | 2.3%        |
| <b>Total</b>                                | <b>1.7%</b> | <b>(3.8%)</b> | <b>6.5%</b> | <b>12.0%</b> | <b>0.5%</b> | <b>2.0%</b> |

Source: General Authority for Statistics

Despite challenges such as oil price volatility and fluctuations in global financial conditions, the Saudi economy has remained strong and resilient. Strong fiscal policies, a well-developed financial sector, and government initiatives focusing on innovation and sustainability have contributed to the support of steady growth. The expansion of the non-oil economy, combined with ongoing policy reforms, strengthens Saudi Arabia's position in maintaining long-term economic stability and enhancing its role in the global market.

Saudi Arabia's Vision 2030G has been the primary driver for this economic transformation, fostering growth in sectors such as tourism, entertainment, financial services, and technology. Large-scale infrastructure projects have increased foreign investment, while regulatory improvements have made Saudi Arabia a more attractive destination for global businesses. Key economic objectives of Vision 2030G include increasing the private sector's contribution to GDP; enhancing investment opportunities; increasing non-oil exports; creating jobs; and improving quality of life by supporting innovation, developing tourism and infrastructure. The program aims to inject approximately USD 7.1 trillion in economic investments, increasing the investment-to-GDP ratio to 30% in 2030G, compared to a baseline of 22% in 2019G.

### 2.2 Insurance Sector Overview

The insurance sector forms an integral part of Saudi Arabia's economy, where this sector contributes to financial stability and economic growth. The Kingdom's insurance sector has grown to become the largest in the Gulf Cooperation Council (GCC) region, achieving strong growth with a CAGR of 15% between 2019 and 2024. This expansion has been across-the-board, with all lines of business reporting strong figures in recent years.

| Gross written premium (SAR billions): |             |             |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business Line                         | 2019G       | 2020G       | 2021G       | 2022G       | 2023G       | 2024G       |
| Vehicles                              | 8.6         | 8.4         | 8.2         | 10.3        | 14.3        | 13.9        |
| Health                                | 22.5        | 22.8        | 25.1        | 31.8        | 38.6        | 42.2        |
| Protection and Savings                | 1.1         | 1.3         | 1.7         | 1.9         | 2.6         | 7.7         |
| Property & Other Casualty Insurance   | 5.7         | 6.3         | 7.1         | 9.3         | 10.0        | 12.3        |
| <b>Total</b>                          | <b>37.9</b> | <b>38.8</b> | <b>42.0</b> | <b>53.4</b> | <b>65.5</b> | <b>76.1</b> |

Source: IA

In 2024, the market grew by 16% annually to reach approximately SAR 76 billion. Health insurance remained the largest business line, accounting for 55% of total sector GWP, followed by motor insurance (18%), property & other casualty (16%), and protection & savings (10%).

## 2.3 Insurance Penetration

Insurance penetration refers to the ratio of total GWP to GDP. Saudi Arabia's insurance penetration has been rising in line with regional peers, although it remains relatively low compared to global markets. Growth in GWP has resulted in a steady increase in insurance penetration over recent years.

| Insurance Penetration to GDP |             |             |             |             |             |             |             |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business Lines               | 2019G       | 2020G       | 2021G       | 2022G       | 2023G       | 2024G       | CAGR        |
| General Insurance            | 0.5%        | 0.6%        | 0.5%        | 0.5%        | 0.6%        | 0.6%        | 5.9%        |
| Health Insurance             | 0.8%        | 0.9%        | 0.8%        | 0.8%        | 1.0%        | 1.0%        | 6.5%        |
| Protection and Savings       | 0.0%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.2%        | 36.6%       |
| <b>Total</b>                 | <b>1.3%</b> | <b>1.5%</b> | <b>1.3%</b> | <b>1.3%</b> | <b>1.6%</b> | <b>1.9%</b> | <b>7.9%</b> |

Source: IA

The Financial Sector Development Program under Vision 2030G aims to increase insurance penetration (as a percentage of non-oil GDP) from a baseline of 1.9% in 2019G to 2.4% by 2025G and 4.3% by 2030. Key initiatives include expanding mandatory insurance lines in the motor, health, and commercial segments, and enhancing overall sector sustainability through a more advanced legal framework.

| Insurance Penetration to Non-Oil GDP |             |             |             |             |             |             |             |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business Lines                       | 2019G       | 2020G       | 2021G       | 2022G       | 2023G       | 2024G       | CAGR        |
| General Insurance                    | 0.7%        | 0.7%        | 0.7%        | 0.8%        | 0.9%        | 0.9%        | 4.9%        |
| Health Insurance                     | 1.1%        | 1.1%        | 1.1%        | 1.3%        | 1.4%        | 1.4%        | 5.5%        |
| Protection and Savings               | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.3%        | 34.1%       |
| <b>Total</b>                         | <b>1.9%</b> | <b>1.9%</b> | <b>1.9%</b> | <b>2.1%</b> | <b>2.4%</b> | <b>2.6%</b> | <b>6.8%</b> |

Source: IA

The 2025G target of 2.4% penetration relative to non-oil GDP was achieved in 2023G, and the sector appears on track to meet the 2030 target.

## 2.4 Insurance Density

Insurance density refers to total GWP per capita. Insurance density in Saudi Arabia is lower than that of regional peers due to the Kingdom's larger population base. Nevertheless, the figure has more than doubled between 2020G and 2024G.

| Insurance Density (in SAR) |              |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Business Lines             | 2019G        | 2020G        | 2021G        | 2022G        | 2023G        | 2024G        | CAGR         |
| General Insurance          | 417          | 414          | 435          | 576          | 754          | 814          | 14.3%        |
| Health Insurance           | 657          | 645          | 717          | 933          | 1,200        | 1,313        | 14.9%        |
| Protection and Savings     | 33           | 36           | 49           | 55           | 80           | 239          | 48.6%        |
| <b>Total</b>               | <b>1,107</b> | <b>1,095</b> | <b>1,200</b> | <b>1,564</b> | <b>2,034</b> | <b>2,367</b> | <b>16.4%</b> |

Source: IA

## 2.5 Insurance Workforce

As of 2024G, the total number of employees directly engaged in insurance companies reached 11,446, with a Saudization rate of approximately 84%.

|                                 |                    | 2019G         | 2020G         | 2021G         | 2022G         | 2023G         | 2024G         |
|---------------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-management employees</b> | <b>Employees</b>   | 8,837         | 8,459         | 8,645         | 8,315         | 8,398         | 8,749         |
|                                 | <b>Saudization</b> | 78%           | 79%           | 80%           | 81%           | 82%           | 88%           |
| <b>Management</b>               | <b>Employees</b>   | 2,376         | 2,556         | 2,257         | 2,113         | 2,225         | 2,697         |
|                                 | <b>Saudization</b> | 60%           | 65%           | 68%           | 69%           | 69%           | 70%           |
| <b>Total</b>                    | <b>Employees</b>   | <b>11,213</b> | <b>11,015</b> | <b>10,902</b> | <b>10,428</b> | <b>10,623</b> | <b>11,446</b> |
|                                 | <b>Saudization</b> | <b>74%</b>    | <b>75%</b>    | <b>77%</b>    | <b>79%</b>    | <b>79%</b>    | <b>84%</b>    |

Source: IA

## 2.6 Market Trends

The insurance sector in the Kingdom is witnessing significant transformation, driven by key market trends such as regulatory developments, industry concentration, and digital acceleration.

A central focus of the Financial Sector Development Program is to facilitate consolidation in the insurance sector by enhancing existing merger and acquisition (M&A) rules and regulations. This approach aims to create financially stronger insurers with greater capacity and resources enabling them to better meet market needs. Consequently, the market is witnessing a trend toward consolidation, where the small- and medium-sized enterprises seek to expand in order to improve their competitiveness. Over the past four years, six mergers have been completed, which resulted in reducing the number of insurance companies from 32 to 26, excluding foreign branches.

Recent regulatory developments—such as increased minimum capital requirements and the adoption of a Risk-Based Capital (RBC) system—have also acted as indirect drivers of industry concentration.

Digital transformation, including the emergence of financial Insurtech, is a powerful catalyst for innovation, which makes insurance services easier and more accessible, as insurance companies depend on mobile applications, online platforms, and AI-powered solutions to enhance customer experience, streamline internal processes, and improve operational efficiency. Market players are also focusing increasingly on designing products and services tailored to the unique needs of younger, tech-savvy customers.

The Insurance Authority has approved InsurTech regulations governing core business activities and related operations, ensuring the protection of all parties and enhancing fair competition.

In general, the insurance sector in Saudi Arabia continues to achieve steady growth, driven by regulatory reforms, increased insurance penetration, and digital advancement. Backed by Vision 2030G and the FSDP, the industry is well-positioned to achieve sustainable expansion and further strengthen its economic contribution during the coming years.



### 3. Merger

#### 3.1 An overview of the Merger

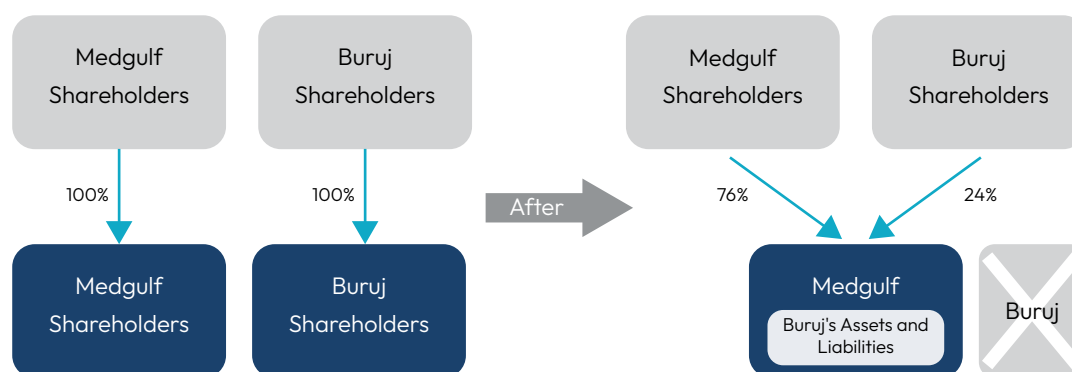
On 22/01/1446H (corresponding to 28/07/2024G), both Medgulf and Buruj announced the execution of the Non-Binding MOU between the Companies regarding a potential Merger. On 02/02/1447H (corresponding to 27/07/2025G), Medgulf announced entering into the Merger Agreement, which also included a declaration of its firm intention to proceed with the Merger and to make an offer to the shareholders of Buruj for this purpose. The Merger Agreement includes all the provisions and steps necessary to implement the Merger between the two companies in accordance with the provisions of Article (225) and Articles (227 to 229) of the Companies Law and the provisions of subparagraph (1) of paragraph (A) of Article (49) of the M&A Regulations and in accordance with the Capital Market Law and the Cooperative Insurance Companies Control Law and the other applicable regulations and laws in the Kingdom of Saudi Arabia (for more details on the provisions of the Merger Agreement, kindly refer to Section (5.2.6) ("**Summary of the Merger Agreement**").

Pursuant to the terms of the Merger Agreement, Buruj will be merged into Medgulf in consideration for Medgulf issuing the Consideration Shares to Buruj's shareholders by way of a capital increase in accordance with Article (60) of the ROSCOs and based on the Exchange Ratio, which provides for Buruj's shareholders receiving (1.1052631333333333) Medgulf shares for each share they hold in Buruj. The total number of Consideration Shares will be thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) fully paid shares with a nominal value per share of (SAR 10), and the total nominal value of the Consideration Shares will be five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi riyals (SAR 584,573,671). These shares will be issued through an increase in Medgulf's share capital by (31.58%), from one billion and fifty million Saudi Riyal (SAR 1,050,000,000) to one billion, three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyal (SAR 1,381,578,940), and an increase in the number of its ordinary shares from one hundred five million (105,000,000) to one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) ordinary shares. Following the Merger, the current shareholders of Medgulf will own approximately seventy-six percent (76%) of Medgulf's share capital after the capital increase, and Buruj's shareholders will own approximately twenty-four percent (24%) of Medgulf's share capital after the capital increase.

The total value of the Merger will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), and the total market value of the Consideration Shares is five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), based on the closing price of Medgulf's share of SAR 17.63 as of 29/01/1447H (corresponding to 24/07/2025G), which was the last trading day preceding the date of announcing the execution of the Merger Agreement. The total value of the Consideration Shares that will be recorded in the financial statements of Medgulf will be determined based on the Closing Price of Medgulf's share at the last trading day prior to the date of the issuance of the Consideration Shares. If the calculation of the number of shares due to any of the shareholders of Buruj based on the Exchange Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number. For example, if a shareholder of Buruj owns one hundred (100) shares in Buruj, such shareholder will be allocated one hundred ten (110) Consideration Shares, and not one hundred ten point fifty-three (110.53) shares. The fractional shares will be collected and sold in the market on behalf of Buruj's shareholders, and then the proceeds resulting from the sale of the fractional shares will be distributed over those entitled to them, each according to their entitlement, after deducting the costs related to the sale of the fractional shares from the total proceeds of the sale of the fractional shares. It should be noted that it is not expected that the Merger, if implemented, will result in the forced layoff of employees.



The below diagram is a simplified description of the structure of Merger:



### 3.2 The Rationale and Motives for the Merger

This subsection contains Medgulf's views on the anticipated benefits of the Merger and includes forward-looking statements and projections, which are subject to risks and uncertainties and should not be relied upon. The forward-looking statements set out in this subsection are preliminary, and Medgulf does not intend to update them except where required by law. For more details, please refer to the **"Important Notice"** section.

Nothing in this section is intended or may be considered as a forecast, projection or estimate of the future financial or operating performance of Medgulf or the market. Additionally, no statement in this Document should be interpreted as a meaning that the earnings per share for the current or future financial periods of Medgulf after the Merger may match or exceed the historical earnings per share of Medgulf or Buruj. The Merger between Medgulf and Buruj aims to enhance the competitive position of the Merging Company through the integration of product offerings, improving operational efficiency, enhancing financial stability, and delivering benefits to the shareholders.

According to the 2024 Saudi Insurance Market Report issued by the Insurance Authority, the total Gross Written Premiums (GWP) in the insurance sector in Saudi Arabia reached approximately SAR 76 billion in 2024. The three largest insurance companies accounted for about 64.5% of the total GWP in the Saudi insurance market, while the remaining 24 companies collectively contributed 35.5%. In the same year, Medgulf and Buruj held market shares of approximately 4.9% and 0.5%, respectively.

The Merger seeks to enhance the financial and operational position of the Merging Company, while expanding its customer base across the individual, micro, small and medium enterprise (MSME), and corporate sectors. It also aims to strengthen the solvency margin, potentially increasing the Merging Company's capacity to assume risk and supporting economic objectives for the benefit of current and future shareholders.

The rationale for the Merger includes, but is not limited to, the following:

- **Strengthening market position and expanding the customer base:** The Merger aims to create a more diversified business totaling GWP 4.1 billion (based on 2024 actual GWP) comprising a broader customer base across the retail, MSME and corporate segments. Post-merger, Buruj and Medgulf's market share (based on 2024 actual GWP) would amount to approximately 5.4%
- **Complementary business mix and improved national ranking:** The Merger aims to improve the product mix and scale of both companies, with Medgulf improving its position within the motor line of business, and Buruj improving its position within the medical line of business. Both companies are set to benefit from the merger, which targets the creation of the fourth largest insurer in KSA when ranked by GWP.
- **Reinsurance and adjacent propositions:** The Merger strives to transform the combined companies' product offerings from traditional insurance services into new verticals such as reinsurance, digital insurance, and investment management with the aim of maximizing shareholder value.

- **Achieve operational efficiencies through synergies and benefit from scale:** The Merger aims to reduce operating expenses by integrating the operations and shared services of both Medgulf and Buruj. In addition to the reduction in operating expenses, the merger aims to benefit from regulatory fee waivers, which offer a significant incentive for both companies. An overall reduction in operating expenses aims to enhance the Merging Company's ability to offer insurance products at more competitive prices in the long term.
- **Optimize financial strength and solvency:** The merger strives to benefit from a balanced investment portfolio and a strong capital base, with an investment management policy that aims to further utilize the larger pool of assets from the combined entity, with an ultimate goal of improving overall profitability and returns to shareholders.

### 3.3 Shareholdings of Medgulf's Board of Directors

The table below shows the shareholdings of the members of Medgulf's Board of Directors and the extent of any control they hold in Medgulf or Buruj, as at market closing on 05/01/1447H (corresponding to 30/06/2025G):

| Name                            | Position      | Capacity      | Shareholding in Medgulf |                                  |            |             | Shareholding in Buruj |                                  |       |             |
|---------------------------------|---------------|---------------|-------------------------|----------------------------------|------------|-------------|-----------------------|----------------------------------|-------|-------------|
|                                 |               |               | Direct                  | Indirect Interest <sup>(1)</sup> | Total      | Percent-age | Direct                | Indirect Interest <sup>(1)</sup> | Total | Percent-age |
| Rakan Abdullah Rashid Abunayyan | Chairman      | Non-Executive | 12,657,856              | None                             | 12,657,856 | 12.0551%    | None                  | None                             | None  | None        |
| Abdulmajeed Abdulaziz AlMeshaal | Vice-Chairman | Independent   | None                    | None                             | None       | None        | None                  | None                             | None  | None        |
| Faisal Aljasir                  | Member        | Independent   | 4                       | None                             | 4          | 0.000004%   | None                  | None                             | None  | None        |
| Monirah Saleh AlSwaydani        | Member        | Non-Executive | None                    | None                             | None       | None        | None                  | None                             | None  | None        |
| Abdulrahman Mohammed Al-Rawaf   | Member        | Non-Executive | 100                     | None                             | 100        | 0.0001%     | None                  | None                             | None  | None        |
| Ahmed bin Abdullah bin Ahmed    | Member        | Independent   | 6,562                   | None                             | 6,562      | 0.0062%     | None                  | None                             | None  | None        |
| Robert Hendricks                | Member        | Independent   | None                    | None                             | None       | None        | None                  | None                             | None  | None        |

(1) Indirect interest includes shares directly owned by: (1) Companies controlled by the Board member; (2) or Relatives of the Board member, namely spouse, parents, and children.

### 3.4 Governance of the Board of Medgulf after the Merger

Subject to obtaining all required legal approvals (including the non-objection of the IA) and the approval of the shareholders of the Companies, the Companies have agreed, pursuant to the Merger Agreement, to take all necessary steps to amend the composition of the Board of Directors of Medgulf following the Issuance of the Merger Resolution. Upon the Issuance of the Merger Resolution, Buruj will nominate two (2) individuals for the appointment to the Board of Directors of Medgulf, thereby increasing the total number of Board seats from seven (7) to nine (9) seats. In addition, the Companies have agreed that, one of these two nominees, who is Mr. Yasser Yousef Naghi (the current Chairman of Buruj), shall be appointed as Chairman of the Merging Company following the Issuance of the Merger Resolution, subject to obtaining the required legal approvals. Buruj has nominated Ziad Bassam Mohammed Albassam (a board member in Buruj) as its second nominee.

In addition, Buruj shall be entitled, following the Effectiveness of the Merger Resolution, to nominate members for appointing them by the Board of Directors to all committees of the Board of Directors of Medgulf, in proportion to the Exchange Ratio (i.e., approximately twenty-four percent (24%) of each committee's membership), and such number of nominees shall be rounded up to the nearest whole number, provided that the number of the nominees shall not exceed fifty percent (50%) of the number of members in any committee.

Any new members of the Board of Directors or any nominee to Board committees appointed by Buruj shall satisfy all applicable membership requirements of the Board or committees in accordance with the IA regulations and the CMA regulations, and the non-objection of the IA must be obtained in respect of such new members. Buruj shall further ensure that the appointment of the new members to the Board or committees does not jeopardize the relevant regulatory independence requirements.

These changes will only be reflected after the Issuance of the Merger Resolution, and until such time, the current Boards of Directors and executive management teams of both Companies will continue to manage their respective company and operate independently.

### 3.5 Related parties and Members of the Board of Directors with an Interest in the Merger

The Merger does not involve any Related Parties. None of the members of the Board of Directors of Medgulf have any interest in the Merger, and Buruj has confirmed that none of the members of its Board of Directors have any interest.

### 3.6 Shareholding Structure Prior to and Following the Issuance of Merger Resolution

The following table shows the shareholding details of Medgulf and Buruj before and after the Issuance of Merger Resolution and the deposit of the consideration shares, as of market close on 05/01/1447H (corresponding to 30/06/2025G).

| Shareholder                                                                                      | Before the Issuance of Merger Resolution |                           |                      |                         | After the Issuance of the Merger Resolution and Deposit of Consideration Shares |                           |                      |                                                       |
|--------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------|-------------------------------------------------------|
|                                                                                                  | # of Shares in Medgulf                   | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj | # of Shares in Medgulf                                                          | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj                               |
| <b>Shareholders in Medgulf</b>                                                                   |                                          |                           |                      |                         |                                                                                 |                           |                      |                                                       |
| Rakan Abdullah Rashid Abunayyan                                                                  | 12,657,856                               | 12.0551%                  | None                 | None                    | 12,657,856                                                                      | 9.1619%                   |                      |                                                       |
| The Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain) | 11,987,500                               | 11.4167%                  | None                 | None                    | 11,987,500                                                                      | 8.6767%                   |                      |                                                       |
| The Saudi Investment Bank                                                                        | 19,950,000                               | 19.000%                   | None                 | None                    | 19,950,000                                                                      | 14.4400%                  |                      |                                                       |
| Current Members of the Board of Directors of Medgulf <sup>(1)</sup>                              | 6,666                                    | 0.0063%                   | None                 | None                    | 6,666                                                                           | 0.0048%                   |                      | Not applicable because it will be merged into Medgulf |
| Senior Executives of Medgulf                                                                     | None                                     | None                      | None                 | None                    | None                                                                            | None                      |                      |                                                       |
| Other Shareholders <sup>(2)</sup>                                                                | 1,750,437                                | 1.6671%                   | None                 | None                    | 1,750,437                                                                       | 1.2670%                   |                      |                                                       |
| Public <sup>(7)</sup>                                                                            | 58,647,541                               | 55.8548%                  | N/A                  | N/A                     | 58,647,541                                                                      | 42.4496%                  |                      |                                                       |
| <b>Total <sup>(7)</sup></b>                                                                      | <b>105,000,000</b>                       | <b>100.0000%</b>          | <b>None</b>          | <b>None</b>             | <b>105,000,000</b>                                                              | <b>76.0000%</b>           |                      |                                                       |

| Shareholder                                                       | Before the Issuance of Merger Resolution |                           |                      |                         | After the Issuance of the Merger Resolution and Deposit of Consideration Shares |                           |                      |                                                       |
|-------------------------------------------------------------------|------------------------------------------|---------------------------|----------------------|-------------------------|---------------------------------------------------------------------------------|---------------------------|----------------------|-------------------------------------------------------|
|                                                                   | # of Shares in Medgulf                   | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj | # of Shares in Medgulf                                                          | % of Ownership in Medgulf | # of Shares in Buruj | % of Ownership in Buruj                               |
| <b>Shareholders in Buruj</b>                                      |                                          |                           |                      |                         |                                                                                 |                           |                      |                                                       |
| Yasser Yousuf Mohamed Naghi                                       | None                                     | None                      | 3,450,000            | 11.5000%                | 3,813,157                                                                       | 2.7600%                   |                      |                                                       |
| Gulf Medical Co. Ltd. <sup>(3)</sup>                              | None                                     | None                      | 1,500,000            | 5.0000%                 | 1,657,894                                                                       | 1.2000%                   |                      |                                                       |
| Cigalah Multi-Industries Company <sup>(4)</sup>                   | None                                     | None                      | 8,550,000            | 28.5000%                | 9,449,999                                                                       | 6.8400%                   |                      |                                                       |
| Al Yusr Investment Gates Company <sup>(5)</sup>                   | None                                     | None                      | 1,500,000            | 5.0000%                 | 1,657,894                                                                       | 1.2000%                   |                      |                                                       |
| Current Members of the Board of Directors of Buruj <sup>(1)</sup> | None                                     | None                      | 2,807                | 0.0094%                 | 3,102                                                                           | 0.0022%                   |                      | Not applicable because it will be merged into Medgulf |
| Senior Executives of Buruj                                        | None                                     | None                      | None                 | None                    | None                                                                            | None                      |                      |                                                       |
| Other Shareholders <sup>(6)</sup>                                 | None                                     | None                      | 900,000              | 3.0000%                 | 994,736                                                                         | 0.7200%                   |                      |                                                       |
| Public <sup>(7)</sup>                                             | N/A                                      | N/A                       | 14,097,193           | 46.9906%                | 15,581,112                                                                      | 11.2778%                  |                      |                                                       |
| <b>Total <sup>(7)</sup></b>                                       | <b>None</b>                              | <b>None</b>               | <b>30,000,000</b>    | <b>100%</b>             | <b>33,157,894</b>                                                               | <b>24.00%</b>             |                      |                                                       |

Note: Percentages are approximate.

(1) The shareholding of Rakan Abdullah Rashid Abunayyan (Chairman of the Board of Medgulf) and Yasser Youssef Mohammed Naghi (Chairman of the Board of Buruj) has not been included in the Board members' shareholding clause, as they are directly included in the table.

(2) This item includes the following persons and entities:

a) The Mediterranean and Gulf Insurance and Reinsurance Company S.A.L. (Lebanon), which owns 1,050,000 shares in Medgulf, representing 1% of Medgulf's current share capital. It was included in this item because it is 100% owned by the Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf) B.S.C. (Closed) (Bahrain).

b) Mr. Lutfi Fadel Al Zain, who owns 437 shares in Medgulf, representing 0.0004% of Medgulf's current share capital. He was included in this item because he Controls one of Medgulf's substantial shareholders, the Mediterranean and Gulf Insurance and Reinsurance Company (MedGulf) B.S.C. (Closed) (Bahrain), as he Controls 58.42% of this Substantial Shareholder through Lutfi Fadel El Zein Holding SAL Company which he and his relatives wholly own.

c) Lutfi Fadel El Zein Holding SAL Company, which is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives, which own 700,000 shares in Medgulf, representing 0.6667% of Medgulf's current share capital. It was included in this item because it is wholly owned by Mr. Lutfi Fadel Al Zain and his relatives.

(3) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 56% of the share capital of Gulf Medical Co. Ltd.

(4) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 90% of the share capital of Cigalah Multi-Industries Company.

(5) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 33.33% of the share capital of Al Yusr Investment Gates Company.

(6) This item includes Cigalah Trading Establishments owned by Yasser Yousuf Mohamed Naghi, which own 900,000 shares in Buruj representing 3% of Buruj's share capital. They were included in this item because their liabilities are consolidated with Yasser Yousuf Mohamed Naghi (a Substantial Shareholder) as they are single proprietorship and therefore considered entities owned fully by him. Based on the aforementioned, the indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf.

(7) The public ownership and the total ownership of each company are represented individually to clarify the impact on each category and company separately. For more details on the total public ownership in Medgulf after the Issuance of the Merger Resolution and the deposit of the Consideration Shares, please refer to Table (1.3) ("Medgulf shareholding structure before and after the Capital Increase").

### 3.7 Overview of Buruj's Operations

#### 3.7.1 Incorporation and Shareholding Structure

Buruj Cooperative Insurance Company is a Saudi joint stock company, whose shares are listed on the Saudi Exchange (Tadawul), with its registered office in Riyadh, registered in the Commercial Register under unified number (7001617724) dated 10/02/1431H (corresponding to 25/01/2010G), and licensed by the Insurance Authority to conduct insurance activities under license number TMN/20105/28 dated 15/06/1431H (corresponding to 29/05/2010G).

The share capital of Buruj is three hundred million (300,000,000) Saudi Riyals, divided into thirty million (30,000,000) ordinary shares, each with a nominal value of ten (SAR 10).

The following table sets out the shareholding structure of Buruj before and after the effectiveness of the merger resolution, as of market close on 05/01/1447H (corresponding to 30/06/2025G).

| Shareholder                                                       | Before Effectiveness of the Merger Resolution |                      | After Effectiveness of the Merger Resolution           |                      |
|-------------------------------------------------------------------|-----------------------------------------------|----------------------|--------------------------------------------------------|----------------------|
|                                                                   | Number of Shares                              | Ownership Percentage | Number of Shares                                       | Ownership Percentage |
| Yasser Yousuf Mohamed Naghi                                       | 3,450,000                                     | 11.5500%             |                                                        |                      |
| Gulf Medical Co. Ltd <sup>(1)</sup>                               | 1,500,000                                     | 5.0000%              |                                                        |                      |
| Cigalah Multi-Industries Company <sup>(2)</sup>                   | 8,550,000                                     | 28.5000%             |                                                        |                      |
| Al Yusr Investment Gates Company <sup>(3)</sup>                   | 1,500,000                                     | 5.0000%              |                                                        |                      |
| Current Members of the Board of Directors of Buruj <sup>(4)</sup> | 2,807                                         | 0.0094%              | Not applicable, because it will be merged into Medgulf |                      |
| Senior Executives of Buruj                                        | None                                          | None                 |                                                        |                      |
| Other Shareholders <sup>(5)</sup>                                 | 900,000                                       | 3.0000%              |                                                        |                      |
| Public                                                            | 14,097,193                                    | 46.9906%             |                                                        |                      |
| <b>Total</b>                                                      | <b>30,000,000</b>                             | <b>100%</b>          |                                                        |                      |

Source: Buruj

(1) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 56% of the share capital of Gulf Medical Co. Ltd.

(2) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 90% of the share capital of Cigalah Multi-Industries Company.

(3) It shall be noted that Mr. Yasser Yousuf Mohamed Naghi owns 33.33% of the share capital of Al Yusr Investment Gates Company.

(4) The shareholding of Yasser Youssef Mohammed Naghi (Chairman of the Board of Buruj) has not been included in the Board members' shareholding clause, as it is directly included in the table.

(5) This item includes Cigalah Trading Establishments owned by Yasser Yousuf Mohamed Naghi, which own 900,000 shares in Buruj representing 3% of Buruj's share capital. They were included in this item because their liabilities are consolidated with Yasser Yousuf Mohamed Naghi (a Substantial Shareholder) as they are single proprietorship and therefore considered entities owned fully by him. Based on the aforementioned, the indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf.

### 3.7.2 Buruj's Activities

Pursuant to its Bylaws, Buruj's principal business activity is the conduct of cooperative insurance activities and relevant activities such as reinsurance, agencies, representation, correspondence, or brokerage. According to its Commercial Register, Buruj's principal activity is general insurance and health insurance.

The table below sets out Buruj's insurance products as of 30 June 2025G.

| #   | Insurance Product Name                                                                       | Insurance Product Category       |
|-----|----------------------------------------------------------------------------------------------|----------------------------------|
| 1.  | Comprehensive Motor Insurance                                                                | Motor Insurance                  |
| 2.  | Compulsory Motor Insurance                                                                   | Motor Insurance                  |
| 3.  | Property Insurance                                                                           | Property Insurance               |
| 4.  | Property All Risks Insurance                                                                 | Property Insurance               |
| 5.  | Accidental Damage Insurance                                                                  | Property Insurance               |
| 6.  | Marine Cargo Single Shipment Insurance                                                       | Marine Cargo Insurance           |
| 7.  | Marine Cargo Open Cover Insurance                                                            | Marine Cargo Insurance           |
| 8.  | Marine Cargo Land Transit Open Cover Insurance                                               | Marine Insurance                 |
| 9.  | Contractors' All Risks                                                                       | Engineering Insurance            |
| 10. | Erection All Risks Insurance                                                                 | Engineering Insurance            |
| 11. | Contractors' Plant and Machinery Insurance                                                   | Engineering Insurance            |
| 12. | Machinery Insurance                                                                          | Engineering Insurance            |
| 13. | Electronic Equipment Insurance                                                               | Engineering Insurance            |
| 14. | Boiler and Pressure Vessel Insurance                                                         | Engineering Insurance            |
| 15. | Deterioration Of Cold Storage                                                                | Engineering Insurance            |
| 16. | Machinery Breakdown Loss of Profit Insurance                                                 | Engineering Insurance            |
| 17. | Fidelity Guarantee Insurance                                                                 | Other General Insurance          |
| 18. | Money Insurance                                                                              | Other General Insurance          |
| 19. | Public Liability Insurance                                                                   | Accident and Liability Insurance |
| 20. | Workmen's Compensation Insurance                                                             | Other General Insurance          |
| 21. | Group Personal Accident Insurance                                                            | Other General Insurance          |
| 22. | Personal Accident Insurance                                                                  | Other General Insurance          |
| 23. | Medical Malpractice Insurance                                                                | Accident and Liability Insurance |
| 24. | International Travel Insurance                                                               | Other General Insurance          |
| 25. | Professional Indemnity Insurance Policy for Architects and Civil Engineers (Single Project)  | Accident and Liability Insurance |
| 26. | Professional Indemnity Insurance Policy for Architects and Civil Engineers (Annual Coverage) | Accident and Liability Insurance |
| 27. | Professional Indemnity Insurance Policy (Various Professions)                                | Accident and Liability Insurance |
| 28. | Executive Warranty (Previously Owned Motor)                                                  | Accident and Liability Insurance |
| 29. | Gold Warranty (Previously Owned Vehicle)                                                     | Accident and Liability Insurance |
| 30. | Silver Warranty (Previously Owned Vehicle)                                                   | Accident and Liability Insurance |
| 31. | Bronze Warranty (Previously Owned Vehicle)                                                   | Accident and Liability Insurance |
| 32. | New Vehicle Warranty                                                                         | Accident and Liability Insurance |
| 33. | Powertrain Warranty (New Vehicle)                                                            | Accident and Liability Insurance |
| 34. | Visitor Policy                                                                               | Health Insurance                 |
| 35. | Cooperative Health Insurance Policy                                                          | Health Insurance                 |

| #   | Insurance Product Name                                                         | Insurance Product Category       |
|-----|--------------------------------------------------------------------------------|----------------------------------|
| 36. | Domestic Workers                                                               | Health Insurance                 |
| 37. | Extended Warranty Insurance for Electrical and Electronic Equipment            | Accident and Liability Insurance |
| 38. | Board Members and Managing Directors Liability                                 | Accident and Liability Insurance |
| 39. | Comprehensive General Liability                                                | Accident and Liability Insurance |
| 40. | Comprehensive Insurance of Motor Vehicles Financially Leased to Individuals    | Motor Insurance                  |
| 41. | Political Violence Insurance                                                   | Property Insurance               |
| 42. | Carrier Liability Insurance                                                    | Marine Insurance                 |
| 43. | Sabotage and Terrorism Insurance                                               | Property Insurance               |
| 44. | Domestic Workers Contract                                                      | Accident and Liability Insurance |
| 45. | Event Cancellation Insurance                                                   | Accident and Liability Insurance |
| 46. | Home Insurance                                                                 | Property Insurance               |
| 47. | Buruj Premium Motor Insurance                                                  | Motor Insurance                  |
| 48. | Board Members and Managing Directors Liability                                 | Accident and Liability Insurance |
| 49. | Personal Accident and Illness Insurance Policy for Professional Football Clubs | Accident and Liability Insurance |
| 50. | Essential Vehicle Policy                                                       | Motor Insurance                  |
| 51. | Motor Trade Insurance                                                          | Accident and Liability Insurance |

Source: Buruj

### 3.7.3 Reinsurance

To mitigate the risks of insurance business, ensure the stability of operations, reduce the risk of losses and contribute to the stable profitability, Buruj engages with reinsurance companies for a portion of the risks it underwrites through its insurance operations, in line with the Cooperative Insurance Companies Control Law and the implementing regulations governing insurance activities. Reinsurance agreements cover different types of reinsurance coverage, including property, engineering, marine and general accidents coverages.

The following table sets out the reinsurance companies with which Buruj conducts business as of 1 July 2025G.

| #   | Reinsurer                                  | Country                  | Rating Grade | Rating Company      |
|-----|--------------------------------------------|--------------------------|--------------|---------------------|
| 1.  | Saudi Reinsurance Company (Saudi Re)       | Kingdom of Saudi Arabia  | A2           | Moody's             |
| 2.  | Hannover Re Takaful B.S.C.                 | Germany                  | A+           | Standard and Poor's |
| 3.  | Axa XL                                     | United States of America | A+           | AM Best             |
| 4.  | Deutsche Rueck                             | Germany                  | A+           | Standard and Poor's |
| 5.  | Labuan                                     | Malaysia                 | A-           | AM Best             |
| 6.  | CCR                                        | France                   | A-           | Standard and Poor's |
| 7.  | Arab War Risks Insurance Syndicate (AWRIS) | Bahrain                  | BBB+         | AM Best             |
| 8.  | Africa Re                                  | Nigeria                  | A-           | AM Best             |
| 9.  | Swiss Re                                   | Switzerland              | AA-          | Standard and Poor's |
| 10. | RGA                                        | United States of America | AA-          | Standard and Poor's |
| 11. | Helvetia Swiss                             | Switzerland              | A+           | Standard and Poor's |
| 12. | Barnets                                    | Cayman Islands           | A            | AM Best             |

Source: Buruj

### 3.7.4 Subsidiaries and Investments

Buruj holds a 40% shareholding in Gulf Warranties for Insurance Services (GWIS), a limited liability company registered in the Commercial Register under unified number (7009182630), dated 20/05/1436H (corresponding to 11/03/2015G), with a registered capital of SAR 3,000,000. This company is a subsidiary according to the definition adopted in the CMA regulations. However, it is not considered a subsidiary in Buruj's financials and is classified as an "associate company", as Buruj does not exercise "control" over its financial and operating policies. The final balance of the investment in this company amounted to SAR 835,054 as of 31 March 2025G.

Buruj has multiple investments, including securities such as listed companies' shares, fund units, sukuks, and time deposits. The value of these investments and time deposits amounted to SAR 239,683,964 and SAR 191,880,330, respectively, as of 31 March 2025G. These investments include shares in Najm for Insurance Services Company, representing 3.45% of the Company's capital, where value of this investment amounted to SAR 63,663,637 as of 31 March 2025G.

### 3.7.5 Buruj's Board of Directors and Executive Management

Buruj's current Board of Directors is composed of seven (7) members elected by the General Assembly. Buruj has an Audit Committee, a Remuneration and Nominations Committee, an Investment Committee, a Risk Management Committee, an Executive Committee, and a Governance Committee. These committees support the Board in monitoring and reviewing Buruj's activities and providing management with the necessary guidance and direction.

The current term of Buruj's Board of Directors is three years, commencing on 09/09/1446H (corresponding to 09/03/2025G). The table below presents the names, positions, membership capacity and shareholding of the members of Buruj's Board of Directors in both Buruj and Medgulf as of 05/01/1447H (corresponding to 30/06/2025G).

| Name                                       | Position      | Membership Capacity | Shareholding in Buruj |                                  |            |          | Shareholding in Medgulf |                                  |       |      |
|--------------------------------------------|---------------|---------------------|-----------------------|----------------------------------|------------|----------|-------------------------|----------------------------------|-------|------|
|                                            |               |                     | Direct                | Indirect Interest <sup>(1)</sup> | Total      | %        | Direct                  | Indirect Interest <sup>(1)</sup> | Total | %    |
| Yasser Yousuf Mohamed Naghi <sup>(2)</sup> | Chairman      | Non-Executive       | 3,450,000             | 9,934,950                        | 13,384,950 | 44.6165% | None                    | None                             | None  | None |
| Ahmed Mohamed Hamed Al Marzouqi            | Vice-Chairman | Independent         | None                  | None                             | None       | None     | None                    | None                             | None  | None |
| Zain Al Abideen Abdullah Bari              | Member        | Independent         | None                  | None                             | None       | None     | None                    | None                             | None  | None |
| Sultan Fahd Al Rashed                      | Member        | Independent         | None                  | None                             | None       | None     | None                    | None                             | None  | None |
| Adel Abdullah Al Sumoom                    | Member        | Independent         | None                  | None                             | None       | None     | None                    | None                             | None  | None |
| Ziyad bin Bassam Mohamed Al Bassam         | Member        | Non-Executive       | 2,307                 | None                             | 2,307      | 0.00769% | None                    | None                             | None  | None |
| Osama Omar Abdulqader Faqih                | Member        | Independent         | 500                   | None                             | 500        | 0.0017%  | None                    | None                             | None  | None |

Source: Buruj

(1) Shares in which they have an indirect interest, mean shares directly owned by: (1) companies controlled by the member, or (2) relatives of the member, i.e. his spouse, parents and children.

(2) The indirect ownership of Yasser Yousuf Mohamed Naghi in Buruj amounts to 33.12%, as a result of his ownership stakes of 56%, 90%, 100%, and 33.3% in Gulf Medical Co. Ltd., Cigalah Multi-Industries Company., Cigalah Trading Establishments (owned by Yasser Yousuf Mohamed Naghi), and Al-Yusr Gates Investments Co. Ltd., respectively, which in turn own 5%, 28.5%, 3%, and 5% in Buruj, respectively. After the Issuance of the Merger Resolution and the deposit of the Consideration Shares, this percentage (in addition to his direct ownership) will represent a 10.7080% ownership in Medgulf. For more details about each company and establishment, please refer to the table in Section (3.7.1) ("Incorporation and Shareholding Structure").



As for Senior Executives, the following table sets out the Senior Executives of Buruj and the positions they hold as of 30 June 2025G.

| Name                 | Position                                           |
|----------------------|----------------------------------------------------|
| Badr Saad Al Ghunaim | Chief Executive Officer                            |
| Faiz Al Asfour       | Head of Human Resources and Administrative Affairs |
| Saif Al Mukhlafi     | Head of Technical Affairs                          |
| Yasser Al Khalifah   | Head of Information Technology                     |
| Mundhir Al Ghanem    | Head of Risk Management                            |
| Saad Al Dalbuh       | Head of Marketing and Sales Department             |
| Abdullah Al Rashoudi | Head of Actuarial Services                         |

Source: Buruj

Source of information stated in this subsection: Buruj

### 3.8 Valuation of Medgulf and Buruj

#### 3.8.1 Buruj Valuation

#### 3.8.2 Summary of the Agreed Valuation

The Exchange Ratio, which determines the number of shares to be issued and allocated to the shareholders of Buruj in Medgulf the merger, was agreed upon following extensive commercial negotiations between the two parties. The Exchange Ratio was established on the basis of the post-merger shareholding structure, whereby, upon completion of the merger, the shareholders of Medgulf will own approximately 76% ("**Medgulf's Contribution to the Merger**"), and the shareholders of Buruj will own approximately 24% ("**Buruj's Contribution to the Merger**"). During the negotiation phase, Medgulf engaged in consultations with its advisers and reviewed the due diligence reports pertaining to the business operations of Buruj.

The commercial negotiations, which were conducted, for the purpose of determining the exchange ratio were subject to the provisions of the Memorandum of Understanding entered into between Medgulf and Buruj on 21/01/1446H (corresponding to 27/07/2024G), pursuant to which the parties agreed that, if a final decision were reached regarding the merger, it would be effected through the merger of Buruj into Medgulf, in consideration of Medgulf issuing consideration shares to the shareholders of Buruj in exchange for the shares they own in Buruj.

The following table summarizes the agreed valuation.

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Exchange Ratio</b>                                 | 1.10526313333333 shares in Medgulf against each share in Buruj                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Total Number of Consideration Shares</b>           | Thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) fully paid ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Total Market Value of the Consideration Shares</b> | <p>Five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), based on the closing price of Medgulf's share on the Saudi Exchange (Tadawul) as of Thursday, 29/01/1447H (corresponding to 24/07/2025G), being the last trading day prior to the announcement of the signing of the Merger Agreement. This equates to a value of SAR 19.49 per Buruj share, representing:</p> <ul style="list-style-type: none"> <li>A premium of 2.66% compared to Buruj's closing share price of SAR 18.98 as of 24/07/2025G (the last trading day prior to the signing of the Merger Agreement), referred to as the "Implied Merger Premium."</li> <li>A decrease of 3.06% compared to Buruj's closing share price of SAR 20.10 as of 25/07/2024G (the last trading day prior to the signing of the Memorandum of Understanding), referred to as the "Unaffected Merger Discount."</li> </ul> |

### 3.8.3 Valuation Methodologies

This section presents a summary of the valuation analysis and assumptions prepared by Medgulf's appointed financial adviser, HSBC Saudi Arabia.

To value Buruj's contribution to the merging company, the following methodologies were applied:

- **Buruj's contribution to the Merging Company's market value (Market Capitalization Contribution Analysis)**

The proportion of Buruj's market capitalization as a percentage of the combined market capitalization of Medgulf and Buruj was calculated using market data obtained from sources such as the Saudi Exchange (Tadawul) and FactSet. This calculation was conducted based on: (1) The total number of outstanding shares for each company as of the date of signing the Merger Agreement; and (2) The closing share prices for each company at various dates, including:

- The closing share prices on 29/01/1447H (corresponding to 24/07/2025G), being the last trading day prior to signing of the Merger Agreement;
- The volume-weighted average share price (VWAP) over the twelve-month period preceding the signing of the Merger Agreement.
- The last date unaffected by the Merger (closing price on trading day immediately prior to the signing of the Memorandum of Understanding on 25 July 2024G).

- **Buruj's contribution to the Merging Company's implied book value based on trading multiples of comparable listed companies (Market Driven Comparable Regression Analysis)**

- An analysis of price-to-book value multiples versus return-on-equity ratios was conducted for select insurance companies within Saudi Arabia, with the objective of deriving the implied value of Buruj's contribution to the merged entity, using market data obtained from sources such as the Saudi Exchange (Tadawul) and FactSet.

- **Buruj's contribution to the Merging Company based on the Dividend Discount Model (Dividend Discount Model Contribution Analysis - DDM)**

- Management forecasts for both Medgulf and Buruj were analyzed using the Discounted Dividend Model, to estimate the implied value of Buruj's contribution to the merged entity.
- The Capital Asset Pricing Model (CAPM), a theoretical model which describes the principles for calculating the appropriate rate of return on assets, was used to determine the appropriate discount rate for calculating the present value of estimated theoretical dividend payments

- **Buruj's contribution to the Merging Company's reported earnings, forecasted earnings, and reported book value (Financial Key Performance Indicators Contribution Analysis)**

- The most recently reported financials of both Medgulf and Buruj were analyzed to determine Buruj's pro-forma contribution to the merging entity's net profit after Zakat and its shareholders' equity.
- Management forecasts for both Medgulf and Buruj were analyzed to estimate Buruj's pro-forma contribution to the merging entity's forecasted net profit after Zakat, prior to taking into account any cost savings or synergy benefits resulting from the merger.

Based on the analysis of Buruj's contribution to the merging company's market capitalization (Market Capitalization Contribution Analysis), the valuation range for Buruj was calculated to be approximately between five hundred and sixty-nine million (569,000,000) Saudi Riyals and six hundred and three million (603,000,000) Saudi Riyals. The valuation range for Medgulf under this methodology was also calculated to be approximately between one billion, eight hundred and fifty-one million (1,851,000,000) Saudi Riyals and three billion, two hundred and eighteen million (3,218,000,000) Saudi Riyals. Accordingly, the estimated value of the merging company ranges between two billion four hundred and twenty-one million (2,421,000,000) Saudi Riyals and three billion eight hundred and twenty-one million (3,821,000,000) Saudi Riyals, which in turn reflects an approximate post-merger ownership ratio ranging from sixteen percent (16%) to twenty-four (24%) for Buruj shareholders, and between seventy-six percent (76%) to eighty-four percent (84%) for Medgulf shareholders.

Based on the analysis of Buruj's contribution to the merging company's implied book value based on trading multiples of comparable listed companies (Market Driven Comparable Regression Analysis), the estimated value of Buruj was calculated to be two hundred and nine million (209,000,000) Saudi Riyals, while the estimated value of Medgulf was calculated to be one billion, nine hundred and forty-six million (1,946,000,000) Saudi Riyals. Accordingly, the estimated value of the merging company is two billion, one hundred and fifty-six million (2,156,000,000) Saudi Riyals. This, in turn, reflects an approximate post-merger ownership ratio of ten percent (10%) for Buruj shareholders and ninety percent (90%) for Medgulf shareholders.

Based on the analysis of Buruj's contribution to the merging company based on the Dividend Discount Model (Dividend Discount Model Contribution Analysis), Buruj's estimated value was calculated to be six hundred and seventeen million (617,000,000) Saudi Riyals, while the estimated value of Medgulf was four billion, six hundred and sixteen million (4,616,000,000) Saudi Riyals. Based on this, the estimated value of the merging company was calculated to be five billion, two hundred and thirty-three million (5,233,000,000) Saudi Riyals, which in turn reflects an approximate post-merger ownership ratio of twelve percent (12%) for Buruj shareholders, and eighty-eight percent (88%) for Medgulf shareholders.

Based on an analysis of Buruj's contribution to the merging company's reported earnings, forecasted earnings, and reported book value (Financial Key Performance Indicators Contribution Analysis), the average value of Buruj's reported and estimated net profit after Zakat was calculated to be twenty-one million (21,000,000) Saudi Riyals. The average value of the reported and forecasted net profit after Zakat for Medgulf was calculated to be one hundred and sixty-one million (161,000,000) Saudi Riyals, while the estimated average value of the reported and forecasted net profit after Zakat for the merging company was calculated as one hundred and eight-two million (182,000,000) Saudi Riyals, which in turn reflects an approximate post-merger ownership ratio of twelve percent (12%) for Buruj shareholders and eighty-eight (88%) for Medgulf shareholders. In addition, the book value of shareholders' equity reported in the audited financial statements for the year ended December 31, 2024 for Buruj amounted to four hundred and seventy-four million (474,000,000) Saudi Riyals, and one billion and twenty nine million (1,029,000,000) Saudi Riyals for Medgulf, which in turn reflects an approximate post-merger ownership ratio of thirty-two percent (32%) for Buruj shareholders and sixty-eight percent (68%) for Medgulf shareholders.

After taking into account the various valuation methodologies outlined above, HSBC Saudi Arabia estimated that Buruj's approximate post-merger ownership stake in the merging company ranges from ten percent (10%) to thirty-two percent (32%).

Based on the above, Medgulf and Buruj came to an agreement that Buruj shareholders would hold a 24% ownership stake in the merged company, and Medgulf would hold a 76% ownership stake in the merged company, representing an exchange ratio of 1.10526313333333x shares in Medgulf for each share in Buruj, which is a result of the commercial negotiations between the two parties.

HSBC Saudi Arabia's calculation of the exchange ratio agreed upon between the two companies represents a final value for Medgulf of one billion, eight hundred and fifty-one million, one hundred and fifty (1,851,150,000) Saudi Riyals, and a final value for Buruj of five hundred and eighty-four million, five hundred and seventy-three thousand, six hundred and seventy-one (584,573,671) Saudi Riyals, based on the closing price of Medgulf shares on Thursday, 29/01/1447 AH (corresponding to 24/07/2025G) on the Saudi Stock Exchange (Tadawul).

The total value of the Compensation Shares (as recorded in Medgulf's reported financial statements) will be determined at a later stage, based on the closing price of Medgulf's shares on the trading day immediately prior to the issuance of the Compensation Shares.

The valuation analysis has been conducted based on the material assumptions, including, without limitation, the following:

- 1- The financials of Medgulf and Buruj fairly present, in all material respects, the financial position of each company;
- 2- The financial forecasts provided by Medgulf and Buruj have been reasonably prepared, based on the best available estimates and judgments regarding future financial performance, as determined by their respective senior management;

- 3- All governmental, regulatory, shareholder or other approvals and consents necessary for the consummation of the Transaction will be obtained without any delays or limitations or conditions or restrictions that may have any adverse effect on the Offeror or the Offeree or on the expected benefits of the Transaction in any way meaningful to our analysis;
- 4- No material risks or considerations exist other than those expressly identified in the due diligence reports, which were prepared under an assignment issued by Medgulf; and
- 5- There has been no material change in Medgulf and/or Buruj, or in their assets, liabilities, and financial condition, results of operations, businesses, or prospects, since the date of the latest financial statements made available to us.

HSBC Saudi Arabia, in its capacity as financial adviser to Medgulf, submitted an opinion to Medgulf's Board of Directors on 29/01/1447H (corresponding to 24/07/2025G) stating that, as of the date of such opinion, and based upon the assumptions and subject to the restrictions set forth therein, the agreed exchange ratio is, from a financial perspective, fair to Medgulf and its shareholders. For further details regarding the financial adviser's opinion, including the assumptions, and restrictions, on which such opinion is based, refer to Appendix No. (2) of the Shareholders' Circular.

It should be noted that HSBC Saudi Arabia rendered its advisory services to Medgulf's Board of Directors in relation to the merger pursuant to the terms and conditions set forth in the engagement letter executed between the parties. Accordingly, the opinion of HSBC Saudi Arabia does not constitute, and shall not be construed as, a recommendation to any shareholder of Medgulf as to how such shareholder should vote in respect of the merger resolutions at Medgulf's Merger EGM or in relation to any other matter. Furthermore, the opinion does not constitute an assessment of the fairness or appropriateness of the merger for any particular shareholder. HSBC Saudi Arabia shall bear no responsibility or liability towards any shareholder of Medgulf, as its opinion and advice were provided exclusively for the benefit of Medgulf's Board of Directors.

The valuation was conducted using a combination of methodologies and techniques, none of which was relied upon separately from the other. Accordingly, the valuation summary should be read and reviewed in its entirety, as set forth in this section, in order to gain a comprehensive understanding of the valuation.

The decision of the agreed-upon exchange ratio was made based on multiple factors and assumptions that the Medgulf board cannot predict accurately or certainty. For further information regarding the relevant risks, please refer to Sections (1.1.4), entitled "**Risks Related to the Merger Exchange Ratio**," and (1.1.5), entitled "**Risks related to the Financial Adviser's independent advice**."

It should be further noted that this valuation does not address the individual opinions or requirements of any particular shareholder of Medgulf. Shareholders are therefore advised to consult with a financial adviser duly licensed by the Capital Market Authority prior to making any decision with respect to the merger.

HSBC Saudi Arabia, when forming its opinion that the exchange ratio stipulated in the Merger Agreement is financially fair to Medgulf and its shareholders, reviewed and considered the following documents:

- 1- Merger Agreement, the memorandum of understanding between Medgulf and Buruj dated 21/01/1446H (corresponding to 27/07/2024G) ("Memorandum of Understanding"), the draft Offer Document and the draft Shareholders' Circular;
- 2- Audited financial statements of Medgulf and Buruj for the financial years 2021 to 2024;
- 3- Interim financial statements of Medgulf and Buruj for the three-month period ended 31 March 2025;
- 4- Internal financial analyses and projections prepared in consultation with the management teams and joint adviser of Medgulf and Buruj, regarding mutual benefits and post-merger actions, including, without limitation, the business operations, profits, cash flows, assets, liabilities, solvency, and future prospects of Medgulf and Buruj;

- 5- Reviewing Historical share price and trading activity of Medgulf and Buruj ordinary shares from the date of the Memorandum of Understanding up to 17 July 2025, being the last practicable date prior to date of the signing of the Merger Agreement, and comparing them with shares of selected listed companies deemed relevant by HSBC Saudi Arabia;
- 6- The terms of the merger, compared with those of similar mergers deemed relevant by HSBC Saudi Arabia, to the extent such information is publicly available;
- 7- Due diligence reports prepared by Medgulf's advisers on Buruj without reliance upon them; and
- 8- Other financial studies and analyses, necessary investigations conducted, and the application of specific valuation methods commonly used in such analyses, as well as observance of any other matters that HSBC Saudi Arabia deemed appropriate, including its assessment of the current conditions and future prospects of the insurance sector, and of general economic, market, and monetary conditions.

HSBC Saudi Arabia held a series of discussions and meetings with members of the senior management of both Medgulf and Buruj, addressing various aspects of the merger, including their assessment of Buruj's historical and current operations, the financial position and future prospects of both Medgulf and Buruj, the impact of the merger on Medgulf's financial position and future prospects, and other matters relevant to the opinion issued by HSBC Saudi Arabia.

The full text of the financial adviser's opinion, issued by HSBC Saudi Arabia on 29/01/1447H (corresponding to 24/07/2025G), which sets forth the assumptions adopted, the procedures followed, the matters considered, and the restrictions of the review conducted in connection with such opinion, is attached as Appendix No. (2) of this Circular.

### 3.8.4 Detailed Valuation Table

The table below sets forth the value of the consideration shares based on Medgulf's share price and compares the same with the market value of Buruj.

|                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total Consideration Shares</b>                                                                                                                                                                                                                                                                             | Thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) fully paid ordinary shares, each with a nominal value of ten Saudi Riyals (SAR 10).                                                                   |
| <b>Total nominal value of Consideration Shares</b>                                                                                                                                                                                                                                                            | Three hundred and thirty-one million, five hundred and seventy-eight thousand, nine hundred and forty Saudi Riyals (SAR 331,578,940).                                                                                                                |
| <b>Total market value of the consideration shares (based on the closing price of Medgulf shares on the trading day preceding the execution of the Merger Agreement, which is 29/01/1447H (corresponding to 24/07/2025G))</b>                                                                                  | Five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), based on the closing price of Medgulf shares of seventeen Saudi Riyals and sixty-three halalas (SAR 17.63) per share. |
| <b>Market value of the Consideration Shares received for one Buruj share (based on the closing price of Medgulf shares on the trading day preceding the execution of the Merger Agreement, which is 29/01/1447H (corresponding to 24/07/2025G))</b>                                                           | Nineteen Saudi Riyals and forty-nine halalas (SAR 19.49), based on the closing price of Medgulf shares of seventeen Saudi Riyals and sixty-three halalas (SAR 17.63) per share.                                                                      |
| <b>Total market value of Buruj shares (based on the closing price of Buruj shares on the trading day preceding the execution of the Merger Agreement, which is 29/01/1447H (corresponding to 24/07/2025G))</b>                                                                                                | Five hundred sixty-nine million four hundred thousand Saudi Riyals (SAR 569,400,000), based on the market price per Buruj share of eighteen Saudi Riyals and ninety-eight halalas (SAR 18.98).                                                       |
| <b>Total market value of Buruj shares, based on the closing price of Buruj's share on the trading day preceding the execution of the Memorandum of Understanding dated 21/01/1446H (corresponding to 27/07/2024G))</b>                                                                                        | Six hundred three million Saudi Riyals (SAR 603,000,000), based on the market price per Buruj share of twenty Saudi Riyals and ten halalas (SAR 20.10).                                                                                              |
| <b>The percentage difference between the total market value of the Consideration Shares and the total market value of Buruj's shares (based on the closing price of Buruj shares on the trading day preceding the execution of the Merger Agreement, which is 29/01/1447H (corresponding to 24/07/2025G))</b> | An increase of approximately 2.66%, referred to as the "Implied Merger Premium."                                                                                                                                                                     |

|                                                                                                                                                                                                                                                                                                                         |                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>The percentage difference between the total market value of the Consideration Shares and the total market value of Buruj shares (based on the closing price of Buruj's share on the trading day preceding the execution of the Memorandum of Understanding, which is 19/01/1446H (corresponding to 25/07/2025G))</b> | A decrease of approximately 3.06%, referred to as the "Unaffected Merger Discount." |
| <b>Ratio of the total number of Medgulf shares outstanding immediately prior to the Merger to the total number of Medgulf shares outstanding immediately following the Merger</b>                                                                                                                                       | 76%, referred to as "Medgulf's Contribution to the Merger."                         |
| <b>Ratio of the total number of Consideration Shares to the total number of Medgulf shares immediately following the Merger</b>                                                                                                                                                                                         | 24%, referred to as "Buruj's Contribution to the Merger."                           |

### 3.9 Pro Forma Financials

#### 3.9.1 Pro Forma Financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company Following the Merger

The pro forma consolidated financials and accompanying explanatory notes, prepared by the management of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, illustrate the material effects of the merger between the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company on the historical consolidated statement of financial position and historical consolidated statement of income as of 31 December 2024G, assuming that the two companies had effectively merged as of 1 January 2024G, in accordance with the structure that will result in the Merger after conducting the necessary modifications as set forth in the attached explanatory notes to the pro forma financials. The presentation of the pro forma financials is based on certain pro forma assumptions. These pro forma financials have been prepared solely for illustrative purposes only. By their nature, the pro forma statement of financial position and pro forma statement of income address a hypothetical scenario and, therefore, they do not represent, and do not give an accurate image of the actual financial position or financial performance of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company following the effectiveness of the merger resolution. Furthermore, the pro forma financials should be read only in conjunction with the historical financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company for the fiscal year ended on 31 December 2024G. The following is a summary of the pro forma consolidated financials:

##### 3.9.1.1 Consolidated Pro Forma Statement of Financial Position of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company as of 31 December 2024G

**Table (3.9.1): Consolidated Pro Forma Statement of Financial Position of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company as of 31 December 2024G**

| (SAR'000)                                     | The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company | Buruj Cooperative Insurance Company | Reclassification | Modifications | Consolidated Pro Forma Statement of Financial Position as of 31 December 2024 |
|-----------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|------------------|---------------|-------------------------------------------------------------------------------|
| <b>Assets</b>                                 |                                                                          |                                     |                  |               |                                                                               |
| Cash and cash equivalents                     | 486,067                                                                  | 173,678                             | -                | -             | 659,745                                                                       |
| Short term deposits                           | 29,445                                                                   | 191,881                             | -                | -             | 221,326                                                                       |
| Investments carried at fair value through P&L | 351,311                                                                  | -                                   | 183,792          | -             | 535,103                                                                       |
| Insurance contract assets                     | 2,866                                                                    | 22,991                              | -                | -             | 25,857                                                                        |
| Reinsurance contract assets                   | 416,030                                                                  | 52,899                              | -                | -             | 468,929                                                                       |
| Prepayment and other assets, net              | 196,350                                                                  | 33,230                              | 8,277            | -             | 237,857                                                                       |

| (SAR'000)                                                            | The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company | Buruj Cooperative Insurance Company | Reclassification | Modifications  | Consolidated Pro Forma Statement of Financial Position as of 31 December 2024 |
|----------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|------------------|----------------|-------------------------------------------------------------------------------|
| Investments in associates                                            | 9,901                                                                    | -                                   | 236              | -              | 10,137                                                                        |
| Investments carried at fair value through other comprehensive income | 79,273                                                                   | -                                   | 61,154           | -              | 140,427                                                                       |
| Investments carried at amortized cost                                | 621,108                                                                  | -                                   | -                | -              | 621,108                                                                       |
| Property and equipment, net                                          | 18,315                                                                   | 6,428                               | -                | -              | 24,743                                                                        |
| Intangible assets, net                                               | 11,093                                                                   | -                                   | -                | -              | 11,093                                                                        |
| Right-of-use assets, net                                             | 1,577                                                                    | 2,642                               | -                | -              | 4,219                                                                         |
| Statutory deposit                                                    | 157,500                                                                  | 29,999                              | -                | -              | 187,499                                                                       |
| Accrued commission on statutory deposit                              | 11,726                                                                   | 1,881                               | -                | -              | 13,607                                                                        |
| Goodwill                                                             | 480,000                                                                  | -                                   | -                | 146,343        | 626,343                                                                       |
| Deferred tax asset                                                   | 10,474                                                                   | -                                   | -                | -              | 10,474                                                                        |
| Investments                                                          | -                                                                        | 245,182                             | (245,182)        | -              | -                                                                             |
| Accrued income                                                       | -                                                                        | 8,277                               | (8,277)          | -              | -                                                                             |
| <b>Total assets</b>                                                  | <b>2,883,036</b>                                                         | <b>769,087</b>                      | <b>-</b>         | <b>146,343</b> | <b>3,798,467</b>                                                              |
| <b>Liabilities</b>                                                   |                                                                          |                                     |                  |                |                                                                               |
| Accrued expenses and other liabilities                               | 125,241                                                                  | 27,796                              | 1,200            | -              | 154,237                                                                       |
| Insurance contract liabilities                                       | 1,659,510                                                                | 234,245                             | (1,200)          | -              | 1,892,555                                                                     |
| Reinsurance contract liabilities                                     | 10,752                                                                   | 12,826                              | -                | -              | 23,578                                                                        |
| Zakat & income tax                                                   | 9,810                                                                    | 10,537                              | -                | -              | 20,347                                                                        |
| Lease liability                                                      | 2,080                                                                    | 2,371                               | -                | -              | 4,451                                                                         |
| End of service indemnities                                           | 35,273                                                                   | 5,060                               | -                | -              | 40,333                                                                        |
| Accrued commission income payable to IA                              | 11,726                                                                   | 1,881                               | -                | -              | 13,607                                                                        |
| <b>Total liabilities</b>                                             | <b>1,854,392</b>                                                         | <b>294,715</b>                      | <b>-</b>         | <b>-</b>       | <b>2,149,107</b>                                                              |
| <b>Equity</b>                                                        |                                                                          |                                     |                  |                |                                                                               |
| Share capital                                                        | 1,050,000                                                                | 300,000                             | -                | 31,579         | 1,381,579                                                                     |
| Share premium                                                        | 70,000                                                                   | -                                   | -                | 289,137        | 359,137                                                                       |
| Statutory reserve                                                    | 26,135                                                                   | 57,478                              | -                | (57,478)       | 26,135                                                                        |
| Accumulated losses / Retained earnings                               | (155,135)                                                                | 51,724                              | -                | (51,724)       | (155,135)                                                                     |
| Re-measurement of defined benefit liability – employees benefits     | (21,364)                                                                 | 5,939                               | -                | (5,939)        | (21,364)                                                                      |
| Fair value reserve on investments                                    | 59,008                                                                   | 59,231                              | -                | (59,231)       | 59,008                                                                        |
| <b>Total equity</b>                                                  | <b>1,028,644</b>                                                         | <b>474,373</b>                      | <b>-</b>         | <b>146,343</b> | <b>1,649,360</b>                                                              |
| <b>Total Liabilities and Equity</b>                                  | <b>2,883,036</b>                                                         | <b>769,087</b>                      | <b>-</b>         | <b>146,343</b> | <b>3,798,467</b>                                                              |

### 3.9.1.2 Pro Forma Income Statement of each of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company as at 31 December 2024G

**Table (3.9.2): Pro Forma Income Statement of each of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company as at 31 December 2024G**

| (SAR'000)                                                 | The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company | Buruj Cooperative Insurance Company | Reclassification | Modifications | Consolidated Pro Forma Income Statement as of 31 December 2024 |
|-----------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|------------------|---------------|----------------------------------------------------------------|
| Insurance revenue                                         | 3,551,790                                                                | 372,730                             | -                | -             | 3,924,520                                                      |
| Insurance service expenses                                | (3,170,901)                                                              | (343,708)                           | 1,200            | -             | (3,513,409)                                                    |
| Net expense from reinsurance contract held                | (361,077)                                                                | (14,972)                            | -                | -             | (376,049)                                                      |
| <b>Insurance service result</b>                           | <b>19,812</b>                                                            | <b>14,050</b>                       | <b>1,200</b>     | <b>-</b>      | <b>35,062</b>                                                  |
| Investment income on financial assets at amortised cost   | 49,053                                                                   | 18,862                              | (494)            | -             | 67,421                                                         |
| Investment income on financial assets at fair value       | (2,856)                                                                  | 2,636                               | (6,072)          | -             | (6,292)                                                        |
| Dividend income                                           | 18,612                                                                   | 10,495                              | -                | -             | 29,107                                                         |
| Fair value change on FVTPL investments                    | -                                                                        | (3,491)                             | 3,491            | -             | -                                                              |
| Net gains from sale of investments                        | -                                                                        | (2,612)                             | 2,612            | -             | -                                                              |
| Net impairment loss on financial assets                   | -                                                                        | (494)                               | 494              | -             | -                                                              |
| Other investment income / (loss)                          | -                                                                        | (630)                               | 630              | -             | -                                                              |
| <b>Net investment income</b>                              | <b>64,809</b>                                                            | <b>24,767</b>                       | <b>660</b>       | <b>-</b>      | <b>90,236</b>                                                  |
| Insurance finance expense for insurance contracts issued  | (27,685)                                                                 | (526)                               | -                | -             | (28,211)                                                       |
| Reinsurance finance income for reinsurance contracts held | 23,096                                                                   | (1,039)                             | -                | -             | 22,057                                                         |
| <b>Net insurance finance expense</b>                      | <b>(4,589)</b>                                                           | <b>(1,566)</b>                      | <b>-</b>         | <b>-</b>      | <b>(6,155)</b>                                                 |
| <b>Net insurance and investment result</b>                | <b>80,032</b>                                                            | <b>37,251</b>                       | <b>1,860</b>     | <b>-</b>      | <b>119,143</b>                                                 |
| Other income                                              | 37,169                                                                   | 1,912                               | (16,522)         | -             | 22,559                                                         |
| Share of (loss) / income from associate                   | (286)                                                                    | -                                   | (660)            | -             | (946)                                                          |
| Shareholders' general and admin expenses                  | (6,857)                                                                  | -                                   | (3,450)          | -             | (10,307)                                                       |
| Other operating expenses                                  | -                                                                        | (19,972)                            | 19,972           | -             | -                                                              |
| <b>Total other operating income / (expense)</b>           | <b>30,026</b>                                                            | <b>(18,060)</b>                     | <b>(660)</b>     | <b>-</b>      | <b>11,306</b>                                                  |



| (SAR'000)                                                                                                 | The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company | Buruj Cooperative Insurance Company | Reclassification | Modifications | Consolidated Pro Forma Income Statement as of 31 December 2024 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|------------------|---------------|----------------------------------------------------------------|
| <b>Net income for the year before appropriation and before zakat and income tax</b>                       | <b>110,058</b>                                                           | <b>19,192</b>                       | <b>1,200</b>     | <b>-</b>      | <b>130,450</b>                                                 |
| Net income attributed to insurance operations                                                             | (3,020)                                                                  | -                                   | (1,200)          | -             | (4,220)                                                        |
| <b>Net income for the year after appropriation and before zakat and income tax</b>                        | <b>107,038</b>                                                           | <b>19,192</b>                       | <b>-</b>         | <b>-</b>      | <b>126,230</b>                                                 |
| Zakat and income tax expense                                                                              | (8,232)                                                                  | (9,806)                             | -                | -             | (18,038)                                                       |
| Deferred tax                                                                                              | 3,188                                                                    | -                                   | -                | -             | 3,188                                                          |
| <b>Income attributed to the shareholders after zakat and income tax</b>                                   | <b>101,994</b>                                                           | <b>9,386</b>                        | <b>-</b>         | <b>-</b>      | <b>111,380</b>                                                 |
| <b>Other comprehensive income / (loss)</b>                                                                |                                                                          |                                     |                  |               |                                                                |
| <b>Items that will not be reclassified to interim condensed statement of income in subsequent periods</b> |                                                                          |                                     |                  |               |                                                                |
| Net changes in fair value of investments measured at FVOCI – equity instruments                           | (8,217)                                                                  | 2,480                               | -                | -             | (5,737)                                                        |
| Re-measurement gain / (loss) on end of service indemnities                                                | 17,670                                                                   | 17,670                              | -                | -             | 35,340                                                         |
| <b>Total other comprehensive income</b>                                                                   | <b>9,453</b>                                                             | <b>20,150</b>                       | <b>-</b>         | <b>-</b>      | <b>29,603</b>                                                  |
| <b>Items that are or may be reclassified to statement of income in subsequent periods</b>                 |                                                                          |                                     |                  |               |                                                                |
| Share of other comprehensive loss of investment in equity accounted investments                           | (223)                                                                    | -                                   | -                | -             | (223)                                                          |
| <b>Total comprehensive income for the year</b>                                                            | <b>111,224</b>                                                           | <b>29,536</b>                       | <b>-</b>         | <b>-</b>      | <b>140,760</b>                                                 |

## 1- Basis for preparing and presenting Pro Forma Financials

This pro forma financials, together with the attached explanatory notes, presents the illustrative impacts on the statement of financial position and the income statement of the proposed merger (the “Merger”) between the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company, as if the Merger had been completed on 1 January 2024G, while the consideration value has been calculated, for the purposes of preparing and collecting these pro forma financials, based on the share price of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf) as of 29 June 2024G.

The pro forma financials are based on the reviewed historical financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company, as at 31 December 2024G (together, the “Merged Entity”), and has been modified to reflect the impact of the merger.

The Merger shall be effected through Medgulf’s issuance of 33,157,894 ordinary shares, each with a nominal value of SAR 10, to the shareholders of Buruj Cooperative Insurance Company, by way of a share exchange deal, at an exchange ratio of 1.105263133333 shares of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company for each share of Buruj Cooperative Insurance Company.

Following completion of the Merger, the capital of the merging company will be SAR 1,381,579.4 million, divided into 1,381.6 million ordinary shares, each with a nominal value of SAR 10.

The presentation of the pro forma financials of the merged entity is based on certain pro forma assumptions and pro forma financials have been prepared solely for clarification purposes. By their nature, the pro forma statement of financial position and pro forma income statement represent and address a hypothetical scenario. Accordingly, they do not represent, and do not give a true image of the actual financial position or financial performance following the effectiveness of the merger resolution. Furthermore, the pro forma financials should be read in conjunction with the historical financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company and Buruj Cooperative Insurance Company for the fiscal year ended 31 December 2024G. The pro forma financials do not take into consideration any potential positive expected synergy as a result of the merger, or any costs that may be incurred in connection with implementation of the Merger.

The pro forma financials have been prepared and presented in accordance with the accounting policies of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, as set forth in its audited financials for the year ended 31 December 2024G. Such accounting policies used by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company as shown in its financial statements for the year ended on 31 December 2024G, are not materially different from those applied by Buruj Cooperative Insurance Company.

## 2- Pro Forma Modifications

The pro forma modifications are based on preliminary estimates and assumptions, which are subject to change. The following pro forma modifications have been incorporated into the pro forma financials:

- a- For recognition of the issuance of shares by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company to the shareholders of Buruj Cooperative Insurance Company:

For the purposes of the pro forma financials, the acquisition consideration has been calculated using a share exchange ratio of 1.1052631333333 share of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company for each share of Buruj Cooperative Insurance Company, as set forth below:

**Table (3.9.3): Illustration of the Calculation of the Acquisition Consideration Based on the Exchange Ratio**

|                                                                                                                                                                                                               |                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Number of outstanding shares of Buruj Cooperative Insurance Company                                                                                                                                           | 30,000,000 shares        |
| Exchange Ratio                                                                                                                                                                                                | 1.1052631333333          |
| <b>Number of new shares to be issued by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company to the shareholders of Buruj Cooperative Insurance Company</b>                               | <b>33,157,894 shares</b> |
| Total nominal value of the new shares to be issued by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company to the shareholders of Buruj Cooperative Insurance Company (SAR 10 per share): | 331,578,940              |
| Outstanding capital of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (SAR)                                                                                                         | 1,050,000,000            |
| <b>Total capital of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company following the merger (SAR)</b>                                                                                   | <b>1,381,578,940</b>     |

Source: Pro forma Consolidated Financials for the fiscal year ended 31 December 2024G

- b- For recognition of the share premium arising from the shares to be issued by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company upon completion of the Merger:

The purchase consideration has been calculated based on the closing price of the shares of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company on 29 June 2024G, which was SAR 18.72 per share on the Saudi Exchange ("Tadawul"). The purchase consideration is based on an indicative share price.

**Table (3.9.4): Share Premium on the Shares of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company to be Issued upon Completion of the Merger**

|                                                                                                                                                         | In Saudi Riyals    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Total consideration (33,157,894 shares at SAR 18.72 per share)                                                                                          | 620,715,776        |
| Less: Nominal value of shares issued by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company to Buruj Cooperative Insurance Company | (331,578,940)      |
| <b>Share Premium</b>                                                                                                                                    | <b>289,136,836</b> |

Source: Pro forma Consolidated Financials for the fiscal year ended 31 December 2024G

- c- Recognition of goodwill, representing the excess of the total consideration over the net assets of Buruj Cooperative Insurance Company as of 31 December 2024G:

**Table (3.9.5): Goodwill Arising from the Merger**

|                                                                                 | In Saudi Riyals    |
|---------------------------------------------------------------------------------|--------------------|
| Total consideration paid for equity in Buruj Cooperative Insurance Company (C1) | 620,715,776        |
| Net assets of Buruj Cooperative Insurance Company as of 31 December 2024G       | (474,372,502)      |
| <b>Goodwill (C1-C2)</b>                                                         | <b>146,343,274</b> |

Source: Pro forma Consolidated Financials for the fiscal year ended 31 December 2024G

- d- Key Performance Indicators of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company Based on the Consolidated Pro Forma Financials Compared with the Financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company:

**Table (3.9.6): Key Performance Indicators of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company based on the Consolidated Pro Forma Financials Compared with the Financials of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company**

| Key Performance Indicators                                               | The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (as at 31 December 2024G) | Consolidated Pro Forma Financials (as at 31 December 2024G) |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Insurance Revenues                                                       | 3,551,790                                                                                          | 3,924,520                                                   |
| Growth Rate of Total Insurance Revenues                                  | 6.6%                                                                                               | 5.9%                                                        |
| Insurance service result                                                 | 19,812                                                                                             | 35,062                                                      |
| Profit attributable to shareholders after Zakat and income tax           | 101,994                                                                                            | 111,980                                                     |
| Total assets                                                             | 2,883,036                                                                                          | 3,798,467                                                   |
| Total Equity                                                             | 1,028,644                                                                                          | 1,649,360                                                   |
| Standard Ratio                                                           | 99.4%                                                                                              | 99.1%                                                       |
| Net Insurance Service Result as a Percentage of Total Insurance Revenues | 0.6%                                                                                               | 0.9%                                                        |
| Profit Margin                                                            | 2.9%                                                                                               | 2.8%                                                        |

Source: Consolidated Pro Forma Financials and Annual Financials, each for the fiscal year ended 31 December 2024G.

### 3.10 Increase or Decrease in Earnings per Share Resulting from the Merger

The table below sets out the decrease in Medgulf's earnings per share, based on the audited financials for the fiscal year ended 31 December 2024G and the consolidated pro forma financials for the same period.

|                                                                                                                                            |      |
|--------------------------------------------------------------------------------------------------------------------------------------------|------|
| Earnings per share (based on Medgulf's audited financials for the fiscal year ended 31 December 2024)                                      | 0.97 |
| Earnings per share after the Capital Increase (Based on the pro forma consolidated financials for the fiscal year ended 31 December 2024G) | 0.81 |

### 3.11 Medgulf Share Price Performance

The following table sets out the performance of the share price of Medgulf during the twelve-month period preceding the submission of the application for listing and offering the consideration shares:

| Date                                                              | Medgulf Share Price at Close of Trading (SAR) |
|-------------------------------------------------------------------|-----------------------------------------------|
| 31/07/2024G                                                       | 27.50                                         |
| 29/08/2024G                                                       | 27.50                                         |
| 30/09/2024G                                                       | 23.78                                         |
| 31/10/2024G                                                       | 21.98                                         |
| 28/11/2024G                                                       | 21.92                                         |
| 31/12/2024G                                                       | 26.45                                         |
| 30/01/2025G                                                       | 25.95                                         |
| 27/02/2025G                                                       | 26.20                                         |
| 27/03/2025G                                                       | 22.32                                         |
| 30/04/2025G                                                       | 22.36                                         |
| 29/05/2025G                                                       | 19.68                                         |
| 30/06/2025G                                                       | 20.06                                         |
| <b>Last Trading Day prior to Firm Intention Announcement</b>      |                                               |
| 24/07/2025G                                                       | 17.63                                         |
| <b>Last Trading Day prior to the Publication of this Circular</b> |                                               |
| 25/09/2025G                                                       | 17.09                                         |



## 4. Financials and Discussion of Management's Analysis

### 4.1 Introduction

The following discussion and analysis of the financial position and results of operations of Buruj Cooperative Insurance Company is based on the audited financial statements for the years ended 31 December 2022, 2023, and 2024, together with the explanatory notes attached thereto (the "Period under Review," the "Analysis Period," or the "Historical Period"). These financials have been audited by the auditors of Buruj Cooperative Insurance Company. For the purposes of this Section 4 ("**Financials and Discussion of Management's Analysis**"), the term "Company" refers to Buruj, and "Management" refers to the management of Buruj.

Crowe Solutions for Professional Consulting Company (a member firm of Crowe Global) and El Sayed El Ayouty & Co, Certified Public Accountants and Auditors (an independent member firm of Moore Global Network Limited) conducted the audits of the financials for the years ended 31 December 2022, 2023, and 2024.

The Company adopted IFRS 17 "Insurance Contracts," as endorsed in Saudi Arabia. This standard replaces IFRS 4 "Insurance Contracts" and applies to annual reporting periods beginning on or after 1 January 2023. IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts, reinsurance contracts, and investment contracts with direct participation features. The Company applied the full retrospective approach to each group of insurance contracts. The adoption of IFRS 17 resulted in a transitional modification to the Company's equity as of 1 January 2022, amounting to SAR 27.5 million.

Furthermore, as of 1 January 2023, the Company also adopted IFRS 9 "Financial Instruments", as endorsed in Saudi Arabia, which replaces IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 requires management to assess its business model in relation to its various investment portfolios, which impacts the measurement and disclosure of the Company's investments. The Standard also introduces the concept of expected credit losses (ECL), which is a forward-looking estimate of credit losses on the Company's financial assets. The Company applied the temporary exemption contained in IFRS 9 for annual periods prior to 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach, to align with the transition option permitted under IFRS 17, incorporating the relevant practical expedients permitted under IFRS 9. The adoption of IFRS 9 resulted in a transitional adjustment to the Company's equity as at 1 January 2022 amounting to SAR 32.7 million.

The Company also engaged the services of its appointed actuary, along with other technical experts and valuation specialists (collectively referred to as the "Management's Experts"), to assist and support it in the process of implementing these two Standards. This support included, among other matters, the preparation of technical papers and the determination of the transitional adjustments required to be recorded. The first year of adopting IFRS 17 and IFRS 9 resulted in material modifications to the classification and measurement of the Company's key balances and transactions, as well as material modifications to the presentation of the disclosures required in the audited financials for the financial years ended 31 December 2023 and 31 December 2024.

The financial information presented in this section has been extracted, without material modifications, from the audited financials for the fiscal years ended 31 December 2023 and 31 December 2024, together with the attached explanatory notes. The figures for the fiscal year ended 31 December 2022 are as restated and reclassified in the audited financials for the fiscal year ended 31 December 2023. The figures for the fiscal years ended 31 December 2023 and 31 December 2024 have been used as classified in the audited financials for the fiscal year ended 31 December 2024.

This section may contain forward-looking statements that involve risks and uncertain expectations. The Company's actual performance may differ materially from that contained in such forward-looking statements due to various factors, including those discussed below and in other sections of this Circular.

Please note that the figures shown in this section have been rounded to the nearest whole number. As a result, the sum of these figures may differ from those figures contained in the tables. In addition, it should be noted that all percentages and margins have been calculated based on these rounded figures.

## 4.2 Declarations of members of the Board of Directors Regarding the Financials

The Board of Directors of Medgulf has prepared a discussion and analysis of the financial position of Buruj. The members of Medgulf's Board of Directors assume no responsibility for the accuracy or completeness of the information related to Buruj contained in this section, which pertains solely to Buruj. The information in this section has been obtained from public sources, including Buruj's financial statements, as well as from information provided directly by Buruj, knowing that under the Merger Agreement, Buruj obligated to provide Medgulf with all information necessary for purpose of the preparation of the Shareholders' Circular. As is customary in such agreements, Buruj has warranted under the Merger Agreement that the information provided to Medgulf during the due diligence process is accurate and complete in all material respects and is not misleading in any material respect as of the date provision of them. Buruj has further warranted under Merger Agreement that it has not knowingly withheld any material information from Medgulf, except for information withheld with Medgulf's knowledge during the due diligence phase, knowing that such information was withheld due to confidentiality considerations or because of contractual or legal restrictions preventing its disclosure.

For the purposes of preparing this section Medgulf has assumed that the financial information contained in this section has been derived from the audited financial statements of Buruj without conducting any material modifications to it. It has further been assumed that Buruj's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants (SOCPA), together with other standards and versions issued by SOCPA, and the Companies Law. For further details on the accounting framework adopted by Buruj Cooperative Insurance Company, please refer to Section (3) "**Significant Accounting Policies**".

Medgulf has also assumed that there is no current intention to conduct any material change to Buruj's operations, and that no change has occurred in Buruj's business activities that could, or has reasonably had materially affected its financial position during the twelve (12) months preceding the date of this Circular.

## 4.3 Significant Accounting Policies

The material accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below.

### 4.3.1 IFRS 17 – Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue for each reporting period represents the change in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA) other than the "Inherent Defects Insurance" (IDI) joint operations business explained in note 2(b) and in Company's financial statements, Company accounts for its rights and obligations of the joint operations by recognizing its assets, liabilities, revenue and expenses at the rate 1.28% of Company's interest in the joint operation (IDI) according to IFRS 11. The PAA simplifies the measurement of insurance contracts in comparison to the general measurement model (GMM) in IFRS 17.

**A- Initial and Subsequent Measurement of Contracts**

For groups of issued contracts, a group should be recognized at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.
- Reinsurance contracts held by an entity are recognized on the earlier of:
  - Beginning of the coverage period of the group of reinsurance contracts held; and
  - Date the entity recognizes an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and LIC, comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

**B- Liabilities for Remaining Coverage**

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

- Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- Decreased for insurance acquisition cash flows paid in the period;
- Decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period; and
- Increased for the amortization of insurance acquisition cash flows in the period recognized 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.

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.

The Company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.



### C- Liability for Incurred Claims

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM.

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 fulfills 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 statement of financial position 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, geographical area, as well as claim type. Loss ratio is the ratio of total claims incurred to total premiums earned for the portfolio.

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. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes in settling claims from the date they are incurred. The Company has elected the accounting policy choice to present entire insurance finance income or expense for the period in the statement of income.

### D- Contract Boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups 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 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 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. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

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

**E- Insurance Acquisition Costs**

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition costs fall under the insurance service expense. The Company amortizes the insurance acquisition costs over the contract period.

**F- Directly Attributable Expenses**

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers. Attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

**G- Other Operating Expenses**

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

The Company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

**H- Insurance Revenues**

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

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

**I- Insurance Service Expenses**

Insurance service expenses include the following:

- Incurred claims for the period.
- Other incurred directly attributable expenses.
- Insurance acquisition cash flows amortization.
- Changes that relate to past service – changes in the FCF relating to the LIC.
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

**J- Onerous Contracts**

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to the statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

In the statement of financial position, deferred acquisition costs and premiums receivable will no longer be presented separately as they are part of liability for remaining coverage. Similarly, receivables from reinsurers and deferred reinsurance commissions will be part of reinsurance assets. This will lead to the reduction of assets and liabilities previously presented.

### 4.3.2 IFRS 9 – Financial Instruments

International Financial Reporting Standard (IFRS) 9 replaces International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement effective 1 January 2023. Accordingly, the Company has applied IFRS 9 retrospectively. The differences arising from the application of IFRS 9 have been recognised in retained earnings as at 1 January 2022. The nature of the changes in accounting policies can be summarized as follows:

#### A- Classification and Measurement

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

The IAS 39 measurement categories for financial assets (fair value through profit or loss, available for sale, held-to-maturity, and loans and receivables, at amortized cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through income/loss for valuation and on derecognition;
- Debt instruments at amortized cost; and
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition.

#### B- Impairment Calculation

Under IFRS 9, the expected credit loss ("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 material 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 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.

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

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

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

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

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of probability of default.

IFRS 9 impairment applies to financial instruments that are not measured at Fair Value through the statement of through income. Equity instruments measured at fair value through other comprehensive income are also excluded from the purview of impairment.

## C- Credit-Impaired Financial Assets

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.

- 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.

### 4.3.3 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

### 4.3.4 Property and Equipment

Property and equipment are initially recorded in the statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

### 4.3.5 Accrued Other Liabilities

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

### 4.3.6 Provisions

Provisions are recognised when the Company has a present (legal or implied) obligation as a result of a past event, it is probable that cash outflows of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

### 4.3.7 Provision for End of Service Benefits

Provision 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 the expected future wages 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 it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income.

### 4.3.8 Right-of-use assets

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

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

### 4.3.9 Lease Liabilities

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

#### 4.3.10 Zakat

The zakat provision is calculated on the 100% capital.

#### 4.3.11 Application of new and revised International Financial Reporting Standards

New and amended IFRS in issue but not yet effective and not early adopted. The Company has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective:

| New and revised IFRS                                                                                                                   | Effective for annual                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture               | Available for optional                                                                              |
| Amendments to IAS 21 – Lack of Exchangeability                                                                                         | 1 January 2025                                                                                      |
| The new standard, IFRS 18 – Presentation and Disclosure in Financial Statements (replaces IAS 1 Presentation of Financial Statements). | 1 January 2025                                                                                      |
| IFRS 19 – Subsidiaries without Public Accountability: Disclosures                                                                      | 1 January 2025                                                                                      |
| The new standard, IFRS S1 'General requirements for disclosure of sustainability-related financial information; and                    | 1 January 2025                                                                                      |
| The new standard, IFRS S2 'Climate-related disclosures'                                                                                | 1 January 2025, subject to the approval of the Saudi Organization for Chartered Accountants (SOCPA) |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

#### New and Revised IFRS that are effective for the current year

Following the new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. The application of these revised IFRS, did not have any material impact on the amounts reported for the current and prior years.

| New and revised IFRS                                                               | Effective as at the annual |
|------------------------------------------------------------------------------------|----------------------------|
| Amendments to IAS 1 – Classification of Liabilities as Current or Non-current      | 1 January 2024             |
| Amendments to IAS 1 – Non-current Liabilities with Covenants                       | 1 January 2024             |
| Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback arrangement | 1 January 2024             |
| Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements        | 1 January 2024             |
| Amendments to IAS 21 – Lack of exchangeability                                     | 1 January 2024             |

## 4.4 Results of Operations

### 4.4.1 Income Statement

The following table presents the details of the income statement for the financial years ended 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.1): Income Statement**

| (SAR'000)                                                                                   | Fiscal year ended on 31 December |                   |                   | Annual change rate       |                          |
|---------------------------------------------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                                                             | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Insurance revenue                                                                           | 417,103                          | 373,444           | 372,730           | (10.5%)                  | (0.2%)                   |
| Insurance service expenses                                                                  | (442,851)                        | (337,188)         | (343,708)         | (23.9%)                  | 1.9%                     |
| Net expenses from reinsurance contracts held                                                | (30,780)                         | (31,271)          | (14,972)          | 1.6%                     | (52.1%)                  |
| <b>Insurance service result</b>                                                             | <b>(56,528)</b>                  | <b>4,986</b>      | <b>14,050</b>     | <b>(108.8%)</b>          | <b>181.8%</b>            |
| Fair value change on FVTPL investments                                                      | (8,916)                          | 1,668             | (3,491)           | (118.7%)                 | (309.3%)                 |
| Net gains from sale of investments                                                          | 2,065                            | 7                 | (2,612)           | (99.7%)                  | (37,949.4%)              |
| Interest revenue from financial assets measured at FVTPL                                    | 21,920                           | 3,136             | 2,636             | (85.7%)                  | (15.9%)                  |
| Interest revenue from financial assets measured at amortized cost                           | -                                | 18,643            | 18,862            | N/A                      | 1.2%                     |
| Dividend from financial assets at FVTPL                                                     | 2,638                            | 5,047             | 10,495            | 91.3%                    | 107.9%                   |
| Net reversal (increase) /(impairment) of financial assets                                   | 2,069                            | 114               | (494)             | (94.5%)                  | (532.2%)                 |
| Other investment income / (expense)                                                         | 25                               | 10                | (630)             | (60.0%)                  | (6,396.3%)               |
| <b>Net investment income</b>                                                                | <b>19,801</b>                    | <b>28,626</b>     | <b>24,767</b>     | <b>44.6%</b>             | <b>(13.5%)</b>           |
| Finance income/(expenses) from insurance contracts issued                                   | 4,846                            | (1,474)           | (526)             | (130.4%)                 | (64.3%)                  |
| Finance expenses from reinsurance contracts held                                            | (322)                            | (149)             | (1,039)           | (53.8%)                  | 599.5%                   |
| <b>Net insurance finance income / (expenses)</b>                                            | <b>4,525</b>                     | <b>(1,623)</b>    | <b>(1,566)</b>    | <b>(135.9%)</b>          | <b>(3.5%)</b>            |
| <b>Net insurance and investment results</b>                                                 | <b>(32,202)</b>                  | <b>31,988</b>     | <b>37,251</b>     | <b>(199.3%)</b>          | <b>16.5%</b>             |
| Other operating expenses                                                                    | (14,798)                         | (19,811)          | (19,972)          | 33.9%                    | 0.8%                     |
| Other income, net                                                                           | 23,125                           | 13,403            | 1,912             | (42.0%)                  | (85.7%)                  |
| <b>Net (loss) / profit attributed to the shareholders before zakat</b>                      | <b>(23,876)</b>                  | <b>25,580</b>     | <b>19,192</b>     | <b>(207.1%)</b>          | <b>(25.0%)</b>           |
| Provision for zakat and income tax                                                          | (5,124)                          | (5,497)           | (9,806)           | 7.3%                     | 78.4%                    |
| <b>Net (loss) / profit attributed to the shareholders after zakat</b>                       | <b>(29,000)</b>                  | <b>20,083</b>     | <b>9,386</b>      | <b>(169.3%)</b>          | <b>(53.3%)</b>           |
| <b>Items that will never be reclassified to the statement of income in subsequent years</b> |                                  |                   |                   |                          |                          |
| Actuarial gain on end of service benefits                                                   | 4,041                            | 488               | 2,480             | (87.9%)                  | 408.7%                   |
| Net changes in fair value of investments measured at FVTOCI – equity instruments            | 2,671                            | 3,781             | 17,670            | 41.6%                    | 367.3%                   |
| <b>Total comprehensive (loss) / income</b>                                                  | <b>(22,289)</b>                  | <b>24,352</b>     | <b>29,536</b>     | <b>(209.3%)</b>          | <b>21.3%</b>             |

Source: Audited financial statements of Buruj for the years ended 31 December 2023 and 31 December 2024G.

The following table presents KPIs for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.2): KPIs**

| Key Indicators                                                                                             | Fiscal year ended on 31 December |                   |                   |
|------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------|-------------------|
|                                                                                                            | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) |
| Insurance service result as a percentage of insurance revenues                                             | (13.6%)                          | 1.3%              | 3.8%              |
| Insurance service result before net expenses of reinsurance contracts as a percentage of insurance revenue | (6.2%)                           | 9.7%              | 7.8%              |
| Cession Rate                                                                                               | 12.5%                            | 8.7%              | 10.8%             |
| Combined Loss Ratio                                                                                        | 94.3%                            | 82.8%             | 65.8%             |

Source: Buruj

## Insurance Revenue

In accordance with IFRS 17, insurance revenue includes gross written premium (GWP), the movement in unearned premiums and expected credit losses on receivables from policyholders. The motor and medical segments are the Company's two primary business segments, which collectively contributed 88.3%, 89.2%, and 84.7% of insurance revenue recorded during the fiscal years 2022, 2023, and 2024, respectively.

Insurance revenue decreased by 10.5% from SAR 417.1 million in 2022G to SAR 373.4 million in 2023, despite the increase in gross written premium from SAR 368.8 million in 2022 to SAR 422.8 million in 2023, as most of these premiums were recognised as revenues during 2024. As a result:

- Insurance revenues in the motor segment decreased by 3.9% from SAR 263.1 million in 2022 to SAR 252.8 million in 2023; and
- Insurance revenue in the medical segment decreased by 23.6% from SAR 105.2 million in 2022 to SAR 80.4 million in 2023.

Insurance revenue further decreased from SAR 373.4 million in 2023 to SAR 372.7 million in 2024, mainly due to a decline in insurance revenue in the motor segment by 6.1% from SAR 252.8 million in 2023 to SAR 237.4 million in 2024, as a result of a decrease in gross written premium in this segment from SAR 281.5 million in 2023 to SAR 246.3 million in 2024.

This was partially offset by an increase in insurance revenue in the property and casualty segment from SAR 40.3 million in 2023 to SAR 57.1 million in 2024, in line with an increase in gross written premium in this segment by 32.0% from SAR 43.8 million in 2023 to SAR 57.8 million in 2024.

## Insurance Service Expenses

Insurance service expenses mainly comprise incurred claims and other direct expenses incurred, in addition to the amortization of cash flows generated from the acquisition of insurance contracts and losses on contracts expected to be onerous.

Insurance service expenses decreased by 23.9% from SAR 442.9 million in 2022 to SAR 337.2 million in 2023, mainly due to:

- A decrease in incurred claims from SAR 348.8 million in 2022 to SAR 269.2 million in 2023 as Company increased prices of the third-party motor insurance product, which had been experiencing a high loss ratio; and
- The reversal of losses on contracts expected to be onerous amounting to SAR 36.9 million in 2023 compared to the reversal of SAR 14.9 million only in 2022, mainly due to the Company increasing the prices of certain products that had been incurring high losses.

Despite the decrease in incurred claims between 2023 and 2024, insurance service expenses increased by 1.9% from SAR 337.2 million in 2023 to SAR 343.7 million in 2024, as the Company recorded additional expected losses on onerous contracts amounting to SAR 7.1 million during 2024, compared to a reversal of SAR 36.9 million in 2023.

This was partially offset by:

- Recognizing profits amounting to SAR 18.6 million in 2024, resulting from reversing insurance surplus unclaimed for more than five years in accordance with applicable Saudi regulations and the Company's policies;
- Reversal of provision for the incurred but not reported (IBNR) claims amounting to SAR 9.5 million in 2024 due to a change in the calculation methodology; and
- A decrease in general and administrative expenses attributable to insurance service expenses from SAR 36.9 million in 2023 to SAR 29.9 million in 2024, in line with the Company's plan to reduce operating expenses.

### **Net Expenses from Reinsurance Contracts Held**

The Company carries out reinsurance according to a risk management strategy in order to protect the Company from potential losses and in order to provide possibility of additional growth. Reinsurance operations take place under proportional, facultative, and excess-of-loss reinsurance contracts and agreements. The net expenses of the reinsurance contracts consist of reinsurance expenses less recoveries related to claims from reinsurers. The Company recognizes reinsurance expenses, as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the premium allocation approach, the Company recognizes reinsurance expenses based on the passage of time over the coverage period of the group of contracts.

The cession rate decreased in 2023 to 8.7% compared to 12.5% in 2022, due to a decline in gross written premiums in the property & casualty segment from SAR 51.2 million in 2022 to SAR 43.8 million in 2023, this being the only segment, in which the Company utilizes proportional reinsurance agreements (whereas the motor and medical segments adopt excess-of-loss reinsurance contracts).

Despite the lower cession rate, net expenses from reinsurance contracts increased by 1.6% to reach SAR 31.3 million in 2023 compared to SAR 30.8 million in 2022, mainly due to a decrease in reinsurers' share of outstanding.

In 2024, the cession rate increased to 10.8% compared to 8.7% in 2023, as a result of the growth in gross written premiums in the property and casualty segments. However, net expenses from reinsurance contracts decreased from SAR 31.3 million in 2023 to SAR 15.0 million in 2024, driven by an increase in the reinsurers' share of outstanding claims, largely resulting from a single large loss for one customer.

### **Net Insurance Service Result**

The Company incurred insurance service losses amounting to SAR 56.5 million in 2022, mainly resulting from the motor segment, which recorded losses of SAR 61.7 million due to a high loss ratio, particularly related to the third-party motor insurance product sold through online platforms. This was partially offset by profits amounting to SAR 10.2 million from the medical segment.

In 2023, the Company generates insurance service profits amounting to SAR 5.0 million, resulting from:

- An increase in medical segment profits from SAR 10.2 million in 2022 to SAR 20.2 million in 2023; and
- A reduction in losses from the motor segment from SAR 61.7 million in 2022 to SAR 9.0 million in 2023.

Insurance service income increased by 181.8% to reach SAR 14.1 million in 2024 compared to SAR 5.0 million in 2023, mainly due to:

- The property & casualty segments achieving profits of SAR 5.1 million in 2024, compared to a loss amounting SAR 6.2 million in 2023; and
- Reduction in the motor segment's losses to SAR 2.6 million in 2024 compared to losses of SAR 9.0 million in 2023.

This was partially offset by a decline in the medical segment's profits to SAR 11.6 million in 2024 compared to profits amounting to SAR 20.2 million in 2023.

### **Fair Value Change on FVTPL Investments**

The Company incurred losses resulting from the fair value changes to FVTPL investments of SAR 8.9 million as IFRS 9 was applied for the first time during 2022. On the other hand, the Company recorded fair value gains of SAR 1.7 million during 2023, as a result of an increase in the value real estate and investment funds.



In 2024, the Company incurred losses of SAR 3.5 million resulting from fair value changes to FVTPL investments, as the market value of shares held by the Company and value of one investment fund declined.

### **Net Gains from Sale of Investments**

The Company recorded gains of SAR 2.1 million in 2022 from the sale of certain investments at a value exceeding the carrying amount.

In 2024, the Company recorded losses amounting to SAR 2.6 million in 2024, with respect to the maturity of an investment fund.

### **Interest Revenue from Financial Assets Measured at FVTPL**

In 2024, the Company added a disclosure to present interest revenue from financial assets measured at amortized cost separately from interest revenue from financial assets measured at FVTPL with the retrospective impact of this disclosure applied for 2023 only. Accordingly, interest revenue from financial assets measured at FVTPL decreased from SAR 21.9 million in 2022 (which included interest revenue from all financial assets) to SAR 3.1 million in 2023, as the disclosure was not adjusted for 2022.

There is no material change in interest revenue from financial assets measured at FVTPL between 2023 and 2024, as the balance ranged between SAR 2.6 million and SAR 3.1 million.

### **Interest Revenue from Financial Assets Measured at Amortized Cost**

There is no material change in interest revenues from financial assets measured at amortized cost between 2023 and 2024, as the balance ranged between SAR 18.6 million and SAR 18.9 million.

### **Dividend From Financial Assets Measured at FVTPL**

Dividend income from financial assets measured at FVTPL mainly consists of distributions from investment funds, real estate funds, and shares. Dividend income increased from SAR 2.6 million in 2022 to SAR 5.0 million in 2023, mainly due to higher allocations to investment and real estate funds.

Dividend income from financial assets measured at FVTPL further increased to SAR 10.5 million in 2024, as a number of investment and real estate funds that did not distribute dividends in 2023 paid dividends in 2024.

### **Finance Income/(Expenses) from Insurance Contracts Issued**

Finance income/(expenses) from insurance contracts issued includes changes in the carrying amounts of groups of insurance and reinsurance contracts resulting from the impact of the time value of money, financial risks, and changes therein. Finance income or expenses from issued insurance contracts during the period are classified in the statement of profit or loss based on the recommendation of the actuary.

### **Other Operating Expenses**

Other operating expenses presented in the income statement represent unallocated expenses, which are administrative expenses not related to insurance contracts. To analyze total operating expenses (allocated and unallocated), please refer to subsection 6-4-1-7.

Unallocated other operating expenses increased by 33.9% from SAR 14.8 million in 2022 to SAR 19.8 million in 2023, mainly due to an increase in bank charges as a result of the increased use of e online aggregator platforms, in addition to penalties incurred by the Company during 2023.

Other operating expenses increased by 0.8% to reach SAR 20.0 million in 2024, due to an increase in the salaries of employees not allocated to any segment.

### **Other Income, Net**

Net other income decreased by 42.0% from SAR 23.1 million in 2022 to SAR 13.4 million in 2023, and then by 85.7% amounting to SAR 1.9 million in 2024, mainly due to the expiration of the medical insurance product related to the Coronavirus (COVID-19) pandemic, in addition to the expiration of the Hajj and Umrah medical insurance product.

## Provision for Zakat and Tax

The Company has filed zakat returns with the General Authority of Zakat and Tax for the years from 2010 to 2023.

After reviewing the zakat returns by ZATCA for the years 2010 to 2012, the Authority issued a zakat assessment, which the Company objected to. Final decisions were issued for the objections, resulting in the Company's favor amounting to SAR 340,868 and SAR 325,000, respectively which were fully refunded by ZATCA.

After reviewing the zakat returns by ZATCA for the years 2015 to 2018, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 13,288,746 following a decision by the Tax Disputes and Violations Resolution Committee. The Company appealed to the Appeals Committee, and a final decision was issued. The Company paid the amount due as a final settlement of the liability.

After reviewing the withholding tax returns by ZATCA for the years 2014 to 2018, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessment amount and waived the fines in accordance with the Authority's initiatives. The Tax Disputes and Violations Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the final decision was issued, constituting a final settlement of the liability.

After reviewing the zakat returns by ZATCA for the years 2019 to 2020, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 4,146,940 following a decision by the Tax Violations and Disputes Resolution Committee. The Company appealed to the Appeals Committee, and the final decision resulted in the dismissal of the case. The Company is in the process of settling the dues, and the Company has paid the dues as a final settlement of the liability.

After reviewing the value-added tax returns by ZATCA for the years 2018 to 2019, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessed amount and waived the fines in accordance with the Authority's initiatives. The Tax Violations and Disputes Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the Company paid the due amount as final settlement of the liability.

For the years 2021 and 2022, the Company requested to resubmit its zakat returns based on the new zakat regulations. The ZATCA accepted the request and issued assessments of SAR 376,260 and SAR 897,995, respectively. The Company approved the assessment, and paid the due amount as final settlement.

For the year 2023, the ZATCA issued a zakat assessment of SAR 2,029,802, and the Company paid the due amount as final settlement of the liability.

For the years 2021 and 2022, the ZATCA issued value-added assessments (after reduction based on the Company's objection) of SAR 312,478 and SAR 579,465, respectively, and the Company paid the due amount as final settlement of the liability.

Regarding the year 2023, both VAT and withholding tax are currently under review by ZATCA, and there is no liability to date.

## Actuarial Gain on End-of-Service Benefits

The company manages an end of service benefit plan for its employees in accordance with the prevailing labour laws and regulations in Saudi Arabia. The amounts due are calculated based on an actuarial valuation using the projected unit credit method, while the benefits payment liabilities are settled upon maturity.

## Net Change in Fair Value of Investments Measured at FVOCI - Equity Instruments

The Company holds a 3.5% shareholding in Najm for Insurance Services Company, a closed joint stock company in Saudi Arabia. These shares are unlisted and are recorded at fair value. The Company determined the fair value of its investment in Najm based on the result of an independent valuation conducted by a consulting firm. This investment was previously listed at a cost of SAR 1.9 million until 31 December 2021, and was remeasured to SAR 39.7 million as at 31 December 2022, SAR 43.5 million as at 31 December 2023, and SAR 61.2 million as at 31 December 2024. Accordingly, the necessary amendments to align the carrying amount of this investment with its fair value, in accordance with the requirements of IFRS 9, were recorded within equity.

### Total Comprehensive (Loss) / Income

Total comprehensive loss amounted to SAR 22.3 million in 2022, mainly due to the Company recording a loss in the motor segment amounting to SAR 61.7 million in 2022. This was, partially offset by investment revenue of SAR 19.8 million in 2022.

In 2023, the Company recorded comprehensive income of SAR 24.4 million, as insurance service income amounted to SAR 5.0 million, driven by income from the medical sector amounting to SAR 20.2 million, in addition to investment revenue amounting to SAR 28.6 million in 2023.

In 2024, the Company recorded comprehensive income of SAR 29.5 million, mainly resulting from:

- Net change in fair value of investments measured at FVTOCI amounting to SAR 17.7 million in 2024, which relate to the Company's shareholding in Najm for Insurance Services Company; and
- Net insurance service income of SAR 14.1 million, attributable to the medical and property & casualty segments, which generated income of SAR 11.6 million and SAR 5.1, respectively and was partially offset by a loss in the motor segment amounting to SAR 2.6 million.

#### 4.4.1.1 Segmental Information

The following table presents segmental information for the financial year ended 31 December 2022:

**Table (4.3): Segmental information for the financial year ended 31 December 2022: (Restated)**

| (SAR'000)                                                         | 31 December 2022          |               |                       |                            |
|-------------------------------------------------------------------|---------------------------|---------------|-----------------------|----------------------------|
|                                                                   | Motor                     | Medical       | Property and Casualty | Total Insurance Operations |
| Insurance revenue                                                 | Accrued Other Liabilities | 105,150       | 48,836                | 417,103                    |
| Insurance service expenses                                        | (318,564)                 | (96,493)      | (27,793)              | (442,851)                  |
| Income / (Expenses) of reinsurance contracts held                 | (6,219)                   | 1,553         | (26,114)              | (30,780)                   |
| <b>Insurance service result</b>                                   | <b>(61,667)</b>           | <b>10,210</b> | <b>(5,071)</b>        | <b>(56,528)</b>            |
| Fair value change on FVTPL investments                            | Accrued Other Liabilities | -             | -                     | (8,916)                    |
| Net gains from sale of investments                                | -                         | -             | -                     | 2,064                      |
| Interest revenue from financial assets measured at amortized cost | -                         | -             | -                     | 21,920                     |
| Interest revenue from financial assets measured at FVTPL          | -                         | -             | -                     | 2,638                      |
| Dividend from financial assets measured at FVTPL                  | -                         | -             | -                     | 2,069                      |
| Net expected credit loss / (reversal) on financial assets         | -                         | -             | -                     | 25                         |
| <b>Net investment income</b>                                      | <b>-</b>                  | <b>-</b>      | <b>-</b>              | <b>19,801</b>              |
| Finance income from insurance contracts issued                    | 611                       | 3,312         | 923                   | 4,846                      |
| Finance income / (expenses) from reinsurance contracts held       | 20                        | (58)          | (284)                 | (322)                      |
| <b>Net insurance finance income</b>                               | <b>632</b>                | <b>3,255</b>  | <b>638</b>            | <b>4,525</b>               |
| <b>Net insurance and investment results</b>                       |                           |               |                       | <b>(32,202)</b>            |
| Other operating expenses                                          |                           |               |                       | (14,798)                   |
| Other income, net                                                 |                           |               |                       | 23,125                     |
| <b>Net loss for the year</b>                                      |                           |               |                       | <b>(23,876)</b>            |
| Provision for zakat and tax                                       |                           |               |                       | (5,124)                    |
| <b>Net loss for the year after zakat and tax</b>                  |                           |               |                       | <b>(29,000)</b>            |

Source: Audited financial statements of Buruj for the year ended 31 December 2023 (IFRS 17 and IFRS 9 were applied starting from 1 January 2023 including retrospectively for the year ended 31 December 2022, resulting in the restatement of the audited financial statements of Buruj for 2022).

Insurance revenue amounted to SAR 417.1 million in 2022, and consists primarily of revenue from the motor segment, which represented 63.1% of total insurance revenue, followed by the medical segment representing 25.2%, and the property and casualty segment representing 11.7%.

The Company recorded insurance services losses in the motor and property and casualty segments amounting to SAR 61.7 million and SAR 5.1 million, respectively. On the other hand, the Company recorded income amounting to SAR 10.2 million from the medical sector.

The following table presents segmental information for the financial year ended 31 December 2023:

**Table (4.4): Segmental information for the financial year ended 31 December 2023 (Audited)**

| (SAR'000)                                                         | 31 December 2023 |               |                       |                            |
|-------------------------------------------------------------------|------------------|---------------|-----------------------|----------------------------|
|                                                                   | Motor            | Medical       | Property and Casualty | Total Insurance Operations |
| Insurance revenue                                                 | 252,805          | 80,380        | 40,259                | 373,444                    |
| Insurance service expenses                                        | (257,037)        | (57,525)      | (22,626)              | (337,188)                  |
| Net income / (expenses) from reinsurance contracts held           | (4,799)          | (2,665)       | (23,807)              | (31,271)                   |
| <b>Insurance service result</b>                                   | <b>(9,030)</b>   | <b>20,190</b> | <b>(6,174)</b>        | <b>4,986</b>               |
| Fair value change on FVTPL investments                            | -                | -             | -                     | 1,668                      |
| Net gains from sale of investments                                | -                | -             | -                     | 7                          |
| Interest revenue from financial assets measured at amortized cost | -                | -             | -                     | 21,779                     |
| Interest revenue from financial assets measured at FVTPL          | -                | -             | -                     | 5,047                      |
| Dividend from financial assets measured at FVTPL                  | -                | -             | -                     | 114                        |
| Net expected credit loss / (reversal) on financial assets         | -                | -             | -                     | 10                         |
| <b>Net investment income</b>                                      | <b>-</b>         | <b>-</b>      | <b>-</b>              | <b>28,626</b>              |
| Finance (expenses) / income from insurance contracts issued       | (2,027)          | (286)         | 838                   | (1,474)                    |
| Finance income / (expenses) from reinsurance contracts held       | 49               | 32            | (230)                 | (149)                      |
| <b>Net insurance finance income</b>                               | <b>(1,977)</b>   | <b>(254)</b>  | <b>608</b>            | <b>(1,623)</b>             |
| <b>Net insurance and investment results</b>                       |                  |               |                       | <b>31,988</b>              |
| Other operating expenses                                          |                  |               |                       | (19,811)                   |
| Other income, net                                                 |                  |               |                       | 13,403                     |
| <b>Net profit for the year</b>                                    |                  |               |                       | <b>25,580</b>              |
| Provision for zakat and tax                                       |                  |               |                       | (5,497)                    |
| <b>Net profit for the year after zakat and tax</b>                |                  |               |                       | <b>20,083</b>              |

Source: Audited financial statements of Buruj for the year ended at 31 December 2024G.

Insurance revenue amounted to SAR 373.4 million in 2023 and consists primarily of revenue generated from the motor segment, which represented 67.7% of total insurance revenues, followed by the medical segment representing 21.5%, and the property and casualty segment representing 10.8%.

The Company recorded insurance services losses in the motor and property and casualty segments amounting to SAR 9.0 million and SAR 6.2 million, respectively. On the other hand, the Company recorded income from the medical segment amounting to SAR 20.2 million.

The following table presents segmental information for the financial year ended 31 December 2024:

**Table (4.5): Segmental information for the financial year ended 31 December 2024 (Audited)**

| (SAR'000)                                                         | 31 December 2024 |               |                       |                            |
|-------------------------------------------------------------------|------------------|---------------|-----------------------|----------------------------|
|                                                                   | Motor            | Medical       | Property and casualty | Total Insurance Operations |
| Insurance revenue                                                 | 237,406          | 78,241        | 57,083                | 372,730                    |
| Insurance service expenses                                        | (238,526)        | (65,864)      | (39,318)              | (343,708)                  |
| Net income / (expenses) from reinsurance contracts held           | (1,449)          | (813)         | (12,711)              | (14,972)                   |
| <b>Insurance service result</b>                                   | <b>(2,569)</b>   | <b>11,564</b> | <b>5,055</b>          | <b>14,050</b>              |
| <b>Fair value change on FVTPL investments</b>                     | <b>-</b>         | <b>-</b>      | <b>-</b>              | <b>(3,491)</b>             |
| Net gains from sale of investments                                | -                | -             | -                     | (2,612)                    |
| Interest revenue from financial assets measured at amortized cost | -                | -             | -                     | 18,862                     |
| Interest revenue from financial assets measured at FVTPL          | -                | -             | -                     | 2,636                      |
| <b>Dividend from financial assets measured at FVTPL</b>           |                  |               |                       | <b>10,495</b>              |
| Net expected credit loss / (reversal) on financial assets         | -                | -             | -                     | (494)                      |
| Other investment (loss) / income                                  | -                | -             | -                     | (630)                      |
| <b>Net investment income</b>                                      | <b>-</b>         | <b>-</b>      | <b>-</b>              | <b>24,767</b>              |
| Finance (expenses) / income from insurance contracts issued       | (808)            | (231)         | 513                   | (526)                      |
| Finance income / (expenses) from reinsurance contracts held       | (104)            | 11            | (946)                 | (1,039)                    |
| <b>Net insurance finance income</b>                               | <b>(912)</b>     | <b>(220)</b>  | <b>(433)</b>          | <b>(1,566)</b>             |
| <b>Net insurance and investment results</b>                       |                  |               |                       | <b>37,251</b>              |
| Other operating expenses                                          |                  |               |                       | (19,972)                   |
| Other income, net                                                 |                  |               |                       | 1,912                      |
| <b>Net profit for the year</b>                                    |                  |               |                       | <b>19,192</b>              |
| Provision for zakat and tax                                       |                  |               |                       | (9,806)                    |
| <b>Net profit for the year after zakat and tax</b>                |                  |               |                       | <b>9,386</b>               |

Source: Audited financial statements of Buruj for the year ended at 31 December 2024G.

Insurance revenue amounted to SAR 372.7 million in 2024 and consists primarily of revenue from the motor segment, which represented 63.7% of total insurance revenue, followed by the medical segment representing 21.0%, and the property and casualty segment representing 15.3%.

The Company recorded a loss from motor insurance services amounting to SAR 2.6 million. On the other hand, the Company recorded income from insurance services in the medical and property & casualty segments amounting to SAR 11.6 million and SAR 5.1 million, respectively.

#### 4.4.1.2 Insurance Revenues

The following table presents the insurance revenues for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.6): Insurance Revenues**

| (SAR'000)                      | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|--------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Motor                          | 263,116                          | 252,805           | 237,406           | (3.9%)                   | (6.1%)                   |
| Medical                        | 105,150                          | 80,380            | 78,241            | (23.6%)                  | (2.7%)                   |
| Property and casualty          | 48,836                           | 40,259            | 57,083            | (17.6%)                  | 41.8%                    |
| <b>Total insurance revenue</b> | <b>417,103</b>                   | <b>373,444</b>    | <b>372,730</b>    | <b>(10.5%)</b>           | <b>(0.2%)</b>            |
| <b>Percentage of total</b>     |                                  |                   |                   |                          |                          |
| <b>Motor</b>                   | <b>63.1%</b>                     | <b>67.7%</b>      | <b>63.7%</b>      |                          |                          |
| <b>Medical</b>                 | <b>25.2%</b>                     | <b>21.5%</b>      | <b>21.0%</b>      |                          |                          |
| <b>Property and casualty</b>   | <b>11.7%</b>                     | <b>10.8%</b>      | <b>15.3%</b>      |                          |                          |
| <b>Total</b>                   | <b>100.0%</b>                    | <b>100.0%</b>     | <b>100.0%</b>     |                          |                          |

Source: Audited financial statements of the Company for the two fiscal years ended 31 December 2023 and 31 December 2024.

The motor segment represented 63.1%, 67.7%, and 63.7% of insurance revenue in the years 2022, 2023, and 2024, respectively. This was followed by the medical segment, which contributed 25.2%, 21.5%, and 21.0% of insurance revenue during the same period.

#### Motor Segment

Insurance revenue from the motor sector decreased by 3.9% from SAR 263.1 million in 2022 to SAR 252.8 million in 2023, despite gross written premiums increasing from SAR 241.2 million in 2022 to SAR 281.5 million in 2023, as most of these premiums were recognized as revenues during 2024.

In 2024, revenues continued to decline, reaching SAR 237.4 million, as the Company decided to downsize underwriting for third-party motor insurance policies issued through online aggregators, which suffered from high loss ratios.

#### Medical Segment

In 2023, insurance revenue from the medical segment declined by 23.6% and to reach SAR 80.4 million compared to SAR 105.2 million in 2022. This decline was also due to medical insurance premiums written in 2023 but recognised as revenue in 2024.

In 2024, insurance revenue from the medical segment decreased by a further 2.7% from SAR 80.4 million in 2023 to SAR 78.2 million, mainly driven by a decline in gross written premiums following the Company's decision not to engage in price reduction-driven competition, which resulted in the loss to some clients.

#### Property and Casualty Segment

Insurance revenue from the property and casualty segment decreased by 17.6% from SAR 48.8 million in 2022 to SAR 40.3 million in 2023, as a result of the loss of a major client following the completion of some of his projects.

In 2024, insurance revenue increased by 41.8% to reach SAR 57.1 million, driven by the launch of the domestic worker insurance product, which generated GWP of SAR 9.1 million during the year, in addition to growth in written premiums for large establishments.

#### 4.4.1.3 Insurance service expense

The following table presents the insurance service expenses for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.7): Insurance Service Expenses**

| (SAR'000)                                                    | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|--------------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                              | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Incurred claims and other directly attributable expenses     | (457,026)                        | (305,559)         | (287,281)         | (33.1%)                  | (5.9%)                   |
| Changes that relate to past service – Adjustments to the LIC | 72,892                           | (1,531)           | 17,923            | (102.1%)                 | (1,270.5%)               |
| Losses and reversal of losses on onerous contracts           | 14,948                           | 36,904            | (7,123)           | 146.9%                   | (119.3%)                 |
| Insurance acquisition cashflows amortization                 | (73,665)                         | (67,001)          | (66,972)          | (9.0%)                   | (0.0%)                   |
| <b>Total insurance service expenses</b>                      | <b>(442,851)</b>                 | <b>(337,188)</b>  | <b>(343,708)</b>  | <b>(23.9%)</b>           | <b>1.9%</b>              |
| <b>Segment</b>                                               |                                  |                   |                   |                          |                          |
| <b>Motor</b>                                                 | <b>(318,564)</b>                 | <b>(257,037)</b>  | <b>(238,526)</b>  | <b>(19.3%)</b>           | <b>(7.2%)</b>            |
| <b>Medical</b>                                               | <b>(96,493)</b>                  | <b>(57,525)</b>   | <b>(65,864)</b>   | <b>(40.4%)</b>           | <b>14.5%</b>             |
| <b>Property and casualty</b>                                 | <b>(27,793)</b>                  | <b>(22,626)</b>   | <b>(39,318)</b>   | <b>(18.6%)</b>           | <b>73.8%</b>             |
| <b>Total</b>                                                 | <b>(442,851)</b>                 | <b>(337,188)</b>  | <b>(343,708)</b>  | <b>(23.9%)</b>           | <b>1.9%</b>              |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The motor segment represented 71.9%, 76.2%, and 69.4% of insurance service expenses in the financial years 2022, 2023, and 2024, respectively, followed by the medical segment, which contributed 21.8%, 17.1%, and 19.2% of insurance service expenses during the same period, while the property and casualty segment represented 6.3%, 6.7%, and 11.4%.

#### Motor Segment

Insurance service expenses for the motor segment decreased by 19.3% from SAR 318.6 million in 2022 to SAR 257.0 million in 2023. This decrease was attributable to the following factors:

- A decrease in claims paid from SAR 252.2 million in 2022 to SAR 225.7 million in 2023, as the Company began reducing underwriting for third-party motor vehicle insurance products underwritten through online aggregators and which suffer from higher loss ratio; and
- A decrease in changes to incurred but not reported reserves ("IBNR") from SAR 15.3 million in 2022 to SAR 3.2 million in 2023, in line with the aforementioned decision to reduce exposure to loss making policies;
- Reversal of losses on onerous contracts amounting to SAR 33.8 million in 2023, compared to expected losses incurred of SAR 2.5 million in 2022. This reversal was primarily attributable to the Company increasing pricing of certain products that were experiencing high losses; and
- A decrease in insurance acquisition cash flow amortization costs from SAR 72.9 million in 2022 to SAR 67.0 million in 2023 due to a decline in Najm expenses from SAR 22.9 million in 2022 to SAR 13.6 million in 2023.

Insurance services expenses for the motor segment further decreased by 7.2% to reach SAR 238.5 million in 2024, due to several key factors, most notably:

- A decrease in claims paid from SAR 225.7 million in 2023 to SAR 205.1 million in 2024, in line with the decrease in total gross written premiums and the downsizing of underwritten third-party motor insurance policies through online aggregators, which suffers from a high loss ratio;
- Reversal of IBNR provisions of SAR 8.0 million in 2024, based upon the actuary's recommendations; and
- Reversal of provision for insurance surplus of SAR 10.9 million in 2024, outstanding for more than five years.

The decline was partially offset by additional expected losses on onerous contracts of SAR 1.8 million during 2024, compared with reversal of losses on onerous contracts of SAR 33.8 million in 2023.

## Medical Segment

Insurance service expenses for the medical segment decreased by 40.4% from SAR 96.5 million in 2022 to SAR 57.5 million in 2023. This decrease was principally attributable to a decrease in claims paid from SAR 85.6 million in 2022 to SAR 44.9 million in 2023, driven by the decline in underwriting to small and medium-sized enterprises.

This decrease was partially offset by a decrease in the reversal of expected losses on onerous contracts from SAR 17.4 million in 2022 to SAR 3.1 million in 2023, based upon actuarial recommendations.

In 2024, insurance service expenses for the medical segment increased by 14.5% to reach SAR 65.9 million as claims paid increased from SAR 44.9 million in 2023 to SAR 54.0 million in 2024, due to the launch of new corporate products that experienced high loss.

This increase was partially offset by the reversal of insurance surplus provisions of SAR 7.0 million in 2024 that have been outstanding for more than five years.

## Property and Casualty Segment

Insurance service expenses for the property and casualty segment decreased by 18.6% from SAR 27.8 million in 2022 to SAR 22.6 million in 2023, in line with the decline in insurance revenue during this period.

In 2024, insurance service expenses increased by 73.8% to reach SAR 39.3 million as outstanding claims increased to SAR 11.3 million in 2024 compared to SAR 1.6 million in 2023 attributable to a significant loss event affecting a single client.

### 4.4.1.4 Net Expenses from Reinsurance Contracts Held

The following table presents net expenses from reinsurance contracts held for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.8): Net Expenses from Reinsurance Contracts Held**

| (SAR'000)                                           | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|-----------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                     | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Motor                                               | (6,219)                          | (4,799)           | (1,449)           | (22.8%)                  | (69.8%)                  |
| Medical                                             | 1,553                            | (2,665)           | (813)             | (271.6%)                 | (69.5%)                  |
| Property and casualty                               | (26,114)                         | (23,807)          | (12,711)          | (8.8%)                   | (46.6%)                  |
| <b>Net expenses from reinsurance contracts held</b> | <b>(30,780)</b>                  | <b>(31,271)</b>   | <b>(14,972)</b>   | <b>1.6%</b>              | <b>(52.1%)</b>           |
| <b>Percentage of total</b>                          |                                  |                   |                   |                          |                          |
| <b>Motor</b>                                        | <b>20.2%</b>                     | <b>15.3%</b>      | <b>9.7%</b>       |                          |                          |
| <b>Medical</b>                                      | <b>(5.0%)</b>                    | <b>8.5%</b>       | <b>5.4%</b>       |                          |                          |
| <b>Property and casualty</b>                        | <b>84.8%</b>                     | <b>76.1%</b>      | <b>84.9%</b>      |                          |                          |
| <b>Total</b>                                        | <b>100.0%</b>                    | <b>100.0%</b>     | <b>100.0%</b>     |                          |                          |

Source: Audited Financials of the Company for the fiscal years ended on 31 December 2023 and 31 December 2024.

The Company maintains excess of loss reinsurance contracts for its two principal segments: motor and medical, and relies primarily on proportional reinsurance contracts for the property and casualty segment only. Accordingly, the increase in net expenses from reinsurance contracts held from SAR 30.8 million in 2022 to SAR 31.3 million in 2023 was principally caused by high loss ratio for the property and casualty insurance segment during this period.

In 2024, net expenses from reinsurance contracts decreased from SAR 31.3 million in 2023 to SAR 15.0 million in 2024, mainly due to an increase of the reinsurers' share of outstanding claims, primarily caused by a large loss affecting one client only.



#### 4.4.1.5 Net Investment Income

The following table presents net investment income for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.9): Net Investment Income**

| (SAR'000)                                                                  | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|----------------------------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                                            | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Interest income from financial assets at fair value through amortised cost | -                                | 18,643            | 18,862            | N/A                      | 1.2%                     |
| Dividend from financial assets measured at FVTPL                           | 2,638                            | 5,047             | 10,495            | 91.3%                    | 107.9%                   |
| Interest revenue from financial assets measured at FVTPL                   | 21,920                           | 3,136             | 2,636             | (85.7%)                  | (15.9%)                  |
| Net gains from sale of investments                                         | 2,064                            | 7                 | (2,612)           | (99.7%)                  | (38,037.3%)              |
| Net expected credit loss / (reversal) of financial assets                  | 2,069                            | 114               | (494)             | (94.5%)                  | (532.1%)                 |
| Other investment income / (expense)                                        | 25                               | 10                | (630)             | (60.0%)                  | (6,383.1%)               |
| Fair value change on FVTPL investments                                     | (8,916)                          | 1,668             | (3,491)           | (118.7%)                 | (309.3%)                 |
| <b>Net investment income</b>                                               | <b>19,801</b>                    | <b>28,626</b>     | <b>24,767</b>     | <b>44.6%</b>             | <b>(13.5%)</b>           |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

Net investment income increased from SAR 19.8 million in 2022 to SAR 28.6 million in 2023. This increase was principally attributable to the Company recognising fair value losses on FVTPL investments of SAR 8.9 million during 2022, representing the cumulative impact of the first time application of IFRS 9.

Net investment income decreased from SAR 28.6 million in 2023 to SAR 24.8 million in 2024, due to the Company incurring arising from fair value losses on FVTPL investments of SAR 3.4 million during 2024, as the market value of equity investments and certain investment funds held by the Company declined during this period. The Company also recognised losses resulting from sale of investments of SAR 2.6 million in 2024, with respect to the maturity of an investment fund.

These decreases were partially offset by an increase in dividend income from financial assets measured at FVTPL from SAR 5.0 million in 2023 to SAR 10.5 million in 2024, as several investment and real estate funds that did not distribute dividends in 2023 made distributions during 2024.

#### 4.4.1.6 Net Insurance Finance Income/(Expenses)

The following table presents net finance income/(expenses) for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.10): Net Insurance Finance Income / (Expenses)**

| (SAR'000)                                                          | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|--------------------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                                    | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Motor                                                              | 611                              | (2,027)           | (808)             | (431.4%)                 | (60.1%)                  |
| Medical                                                            | 3,312                            | (286)             | (231)             | (108.6%)                 | (19.2%)                  |
| Property and casualty                                              | 923                              | 838               | 513               | (9.1%)                   | (38.9%)                  |
| <b>Finance income / (expenses) from insurance contracts issued</b> | <b>4,846</b>                     | <b>(1,474)</b>    | <b>(526)</b>      | <b>(130.4%)</b>          | <b>(64.3%)</b>           |

| (SAR'000)                                               | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|---------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                         | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Motor                                                   | 20                               | 49                | (104)             | 142.8%                   | (311.1%)                 |
| Medical                                                 | (58)                             | 32                | 11                | (156.0%)                 | (66.8%)                  |
| Property and casualty                                   | (284)                            | (230)             | (946)             | (18.9%)                  | 310.7%                   |
| <b>Finance expenses from reinsurance contracts held</b> | <b>(322)</b>                     | <b>(149)</b>      | <b>(1,039)</b>    | <b>(53.8%)</b>           | <b>599.4%</b>            |
| Motor                                                   | 632                              | (1,977)           | (912)             | (413.0%)                 | (53.9%)                  |
| Medical                                                 | 3,255                            | (254)             | (220)             | (107.8%)                 | (13.1%)                  |
| Property and casualty                                   | 638                              | 608               | (433)             | (4.8%)                   | (171.3%)                 |
| <b>Net insurance finance income / (expenses)</b>        | <b>4,525</b>                     | <b>(1,623)</b>    | <b>(1,566)</b>    | <b>(135.9%)</b>          | <b>(3.5%)</b>            |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The Company recognized net insurance finance income of SAR 4.5 million in 2022 and net insurance finance expenses of SAR 1.6 million and SAR 1.6 million in 2023 and 2024, respectively.

The Insurance finance income and expenses are calculated based on the actuary's recommendations.

## Other Operating Expenses

The following table presents other operating expenses for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.11): Other Operating Expenses**

| (SAR'000)                                                       | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|-----------------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                                 | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Employees' salaries and all staff related costs                 | 41,864                           | 40,569            | 37,020            | (3.1%)                   | (8.7%)                   |
| Information technology expenses                                 | 2,574                            | 3,003             | 4,031             | 16.7%                    | 34.2%                    |
| Legal and professional fees                                     | 3,576                            | 4,994             | 3,164             | 39.7%                    | (36.6%)                  |
| Depreciation of property and equipment and right-of-use assets  | 1,546                            | 2,616             | 2,899             | 69.2%                    | 10.8%                    |
| Board of Directors and committees fees and expenses             | 1,871                            | 2,290             | 2,283             | 22.4%                    | (0.3%)                   |
| Office rent                                                     | 3,104                            | 1,537             | 1,137             | (50.5%)                  | (26.0%)                  |
| Stationery and office supplies                                  | 364                              | 699               | 609               | 91.7%                    | (12.8%)                  |
| Listing fees                                                    | 377                              | 358               | 361               | (5.0%)                   | 0.9%                     |
| Utilities and telecommunications                                | 2,196                            | 1,394             | 272               | (36.5%)                  | (80.5%)                  |
| Withholding taxes                                               | 406                              | 306               | 42                | (24.7%)                  | (86.2%)                  |
| Other                                                           | 8,425                            | 13,305            | 10,016            | 57.9%                    | (24.7%)                  |
| <b>Total general and administrative expenses</b>                | <b>66,303</b>                    | <b>71,070</b>     | <b>61,835</b>     | <b>7.2%</b>              | <b>(13.0%)</b>           |
| <b>Percentage total</b>                                         |                                  |                   |                   |                          |                          |
| Employees' salaries and all staff related costs                 | 63.1%                            | 57.1%             | 59.9%             |                          |                          |
| Information technology expenses                                 | 3.9%                             | 4.2%              | 6.5%              |                          |                          |
| Legal and professional fees                                     | 5.4%                             | 7.0%              | 5.1%              |                          |                          |
| Depreciation of property and equipment and right-of-use assets: | 2.3%                             | 3.7%              | 4.7%              |                          |                          |

| (SAR'000)                                           | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|-----------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                     | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Board of Directors and committees fees and expenses | 2.8%                             | 3.2%              | 3.7%              |                          |                          |
| Office rent                                         | 4.7%                             | 2.2%              | 1.8%              |                          |                          |
| Stationery and office supplies                      | 0.5%                             | 1.0%              | 1.0%              |                          |                          |
| Fees List                                           | 0.6%                             | 0.5%              | 0.6%              |                          |                          |
| Utilities and telecommunications                    | 3.3%                             | 2.0%              | 0.4%              |                          |                          |
| Withholding taxes                                   | 0.6%                             | 0.4%              | 0.1%              |                          |                          |
| Other                                               | 12.7%                            | 18.7%             | 16.2%             |                          |                          |
| <b>Total</b>                                        | <b>100.0%</b>                    | <b>100.0%</b>     | <b>100.0%</b>     |                          |                          |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The following table presents the allocation of other operating expenses for the fiscal years ended on 31 December 2022, 31 December 2023, and 31 December 2024.

**Table (4.12): Allocation of Other Operating Expenses**

| (SAR'000)                                              | Fiscal year Ended on 31 December |                   |                   | Annual Change Rate       |                          |
|--------------------------------------------------------|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                        | 2022<br>(Audited)                | 2023<br>(Audited) | 2024<br>(Audited) | 2022 - 2023<br>(Audited) | 2023 - 2024<br>(Audited) |
| Expenses allocated to liability for remaining coverage | 29,905                           | 20,024            | 17,798            | (33.0%)                  | (11.1%)                  |
| Expenses allocated to liability for incurred claims    | 21,599                           | 31,235            | 24,065            | 44.6%                    | (23.0%)                  |
| Unallocated expenses                                   | 14,798                           | 19,811            | 19,972            | 33.9%                    | 0.8%                     |
| <b>Total general and administrative expenses</b>       | <b>66,303</b>                    | <b>71,070</b>     | <b>61,835</b>     | <b>7.2%</b>              | <b>(13.0%)</b>           |
| <b>Percentage of total</b>                             |                                  |                   |                   |                          |                          |
| Expenses allocated to liability for remaining coverage | 45.1%                            | 28.2%             | 28.8%             |                          |                          |
| Expenses allocated to liability for incurred claims    | 32.6%                            | 43.9%             | 38.9%             |                          |                          |
| Unallocated expenses                                   | 22.3%                            | 27.9%             | 32.3%             |                          |                          |
| <b>Total</b>                                           | <b>100.0%</b>                    | <b>100.0%</b>     | <b>100.0%</b>     |                          |                          |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

### Employees' salaries and all staff related costs

Employees' salaries and all staff related costs represent the principal component of other operating expenses, constituting 63.1%, 57.1%, and 59.9% of total other operating expenses in 2022, 2023, and 2024, respectively. Employees' salaries and all staff related costs are composed of basic salaries, housing and transport allowances, bonuses and benefits, social insurance contributions, and other employee-related costs.

Employees' salaries and all staff related costs decreased from SAR 41.9 million in 2022 to SAR 40.6 million in 2023, and subsequently to SAR 37.0 million in 2024, primarily driven by the decrease in headcount.

### Information technology expenses

Information technology expenses increased from SAR 2.6 million in 2022 to SAR 3.0 million in 2023, and subsequently to SAR 4.0 million in 2024, in line with the additional information technology requirements for managing the Company.

### Legal and professional fees

Legal and professional fees increased from SAR 3.6 million in 2022 to SAR 5.0 million in 2023, as the Company appointed consultants during 2023 to conduct a valuation of the Company and to reviews the risks that the Company faces. Legal and professional fees decreased to SAR 3.2 million in 2024 after completion of the aforementioned consultancy engagements.

### Depreciation of property and equipment and right-of-use assets

Depreciation expenses for property and equipment and right-of-use assets increased from SAR 1.5 million in 2022 to SAR 2.6 million in 2023 as a result of modifications that were recorded during 2022.

There were no material changes in depreciation expenses for property and equipment and right-of-use assets between 2023 and 2024.

### Office rent

Office rent expenses decreased from SAR 3.1 million in 2022 to SAR 1.5 million in 2023, and subsequently to SAR 1.1 million in 2024, as the Company closed certain outlets.

### Others

Other expenses consists principally of banking charges, penalties, and other operating expenses.

These expenses increased from SAR 8.4 million in 2022 to SAR 13.4 million in 2023, primarily due to the penalties incurred during 2023 and increased banking charges linked to increased underwriting volumes for third-party motor vehicle insurance products underwritten through online aggregators.

In 2024, these expenses decreased by 24.7% to reach SAR 10.0 million, as a result of reduced banking charges as underwriting volumes for third-party motor vehicle insurance products underwritten through online aggregators declined.

## 4.5 Statement of Financial Position

The following table presents a summary of the statement of financial position as at 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.13): Summarized Statement of Financial Position**

| (SAR'000)                             | 31 December       |                   |                   | Decrease/(Increase) |                  |
|---------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                       | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Total Assets                          | 752,057           | 847,638           | 769,087           | 12.7%               | (9.3%)           |
| Total Liabilities                     | (331,573)         | (402,802)         | (294,715)         | 21.5%               | (26.8%)          |
| Total Equity                          | (420,484)         | (444,836)         | (474,373)         | 5.8%                | 6.6%             |
| <b>Total Liabilities and Equities</b> | <b>(752,057)</b>  | <b>(847,638)</b>  | <b>(769,087)</b>  | <b>12.7%</b>        | <b>(9.3%)</b>    |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

## Total Assets

Total assets increased by 12.7% to reach SAR 847.6 million as at 31 December 2023 compared to SAR 752.1 million as at 31 December 2022, principally due to:

- An increase in investments from SAR 187.6 million as at 31 December 2022 to SAR 276.9 million as at 31 December 2023; and
- An increase in term deposits from SAR 185.3 million as at 31 December 2022 to SAR 270.6 million as at 31 December 2023.

This increase was partially offset by a decrease in cash and cash equivalents from SAR 256.0 million as at 31 December 2022 to SAR 99.0 million as at 31 December 2023, as the Company utilized available liquidity to increase allocation to investments and term deposits to benefit from higher expected returns.

Total assets decreased from SAR 847.6 million as at 31 December 2023 to SAR 769.1 million as at 31 December 2024, due to a decrease in term deposits from SAR 270.6 million as at 31 December 2023 to SAR 191.9 million as at 31 December 2024, in addition to a decrease in insurance contract assets from SAR 63.4 million as at 31 December 2023 to SAR 23.0 million as at 31 December 2024.

This decrease was partially offset by an increase in cash and cash equivalents from SAR 99.0 million as at 31 December 2023 to SAR 173.7 million as at 31 December 2024.

## Total Liabilities

Total liabilities increased by 21.5% and amounted to SAR 402.8 million as at 31 December 2023 compared to SAR 331.6 million as at 31 December 2022, and this is attributable to:

- An increase in insurance contract liabilities from SAR 279.4 million as at 31 December 2022 to SAR 336.6 million as at 31 December 2023; and
- An increase in accounts payable balance, accruals, and other liabilities from SAR 13.8 million as at 31 December 2022 to SAR 23.5 million as at 31 December 2023.

This increase was partially offset by a decline in provision for zakat and income tax from SAR 26.5 million as at 31 December 2022 to SAR 20.8 million as at 31 December 2023.

Total liabilities decreased from SAR 402.8 million as at 31 December 2023 to SAR 294.7 million as at 31 December 2024, due to a decrease in insurance contract liabilities from SAR 336.6 million as at 31 December 2023 to SAR 234.2 million as at 31 December 2024, as expected cash flows increased as a result of an increase in premiums receivable, in addition to a decrease in provision for zakat and income tax from SAR 20.8 million as at 31 December 2023 to SAR 10.5 million as at 31 December 2024.

## Total Equity

Total equity increased from SAR 420.5 million as at 31 December 2022 to SAR 444.8 million as at 31 December 2023, and subsequently to SAR 474.4 million as at 31 December 2024, as the Company made profits during this period, but it did not distribute dividends.

### 4.5.1 Assets

The following table presents total assets as at 31 December 2022, 31 December 2023, and 30 December 2024:

**Table (4.14): Total Assets**

| (SAR'000)                 | 31 December       |                   |                   | Decrease/(Increase) |                  |
|---------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                           | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Cash and cash Equivalents | 255,970           | 98,964            | 173,678           | (61.3%)             | 75.5%            |
| Investments               | 187,617           | 276,865           | 245,182           | 47.6%               | (11.4%)          |
| Term deposits             | 185,288           | 270,627           | 191,880           | 46.1%               | (29.1%)          |

| (SAR'000)                               | 31 December       |                   |                   | Decrease/(Increase) |                  |
|-----------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                         | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Statutory deposit                       | 29,999            | 29,999            | 29,999            | (0.0%)              | (0.0%)           |
| Accrued commission on statutory deposit | 2,582             | 1,094             | 1,881             | (57.6%)             | 72.0%            |
| Insurance contract assets               | -                 | 63,446            | 22,991            | N/A                 | (63.8%)          |
| Reinsurance contract assets             | 29,719            | 38,840            | 52,899            | 30.7%               | 36.2%            |
| Right-of-use assets                     | 1,334             | 274               | 2,642             | (79.5%)             | 865.1%           |
| Prepaid expenses and other assets       | 47,231            | 51,050            | 33,230            | 8.1%                | (34.9%)          |
| Property and equipment, net             | 3,540             | 4,168             | 6,428             | 17.7%               | 54.2%            |
| Accrued income                          | 8,777             | 12,312            | 8,277             | 40.3%               | (32.8%)          |
| <b>Total Assets</b>                     | <b>752,057</b>    | <b>847,638</b>    | <b>769,087</b>    | <b>12.7%</b>        | <b>(9.3%)</b>    |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

## Cash and Cash Equivalents

The following table presents details of cash and cash equivalents as at 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.15): Cash and Cash Equivalents**

| (SAR'000)                        | 31 December       |                   |                   | Decrease/(Increase) |                  |
|----------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                  | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Cash in hand and banks           | 235,610           | 34,421            | 117,532           | (85.4%)             | 241.5%           |
| Short-term deposits              | 20,701            | 64,553            | 56,742            | 211.8%              | (12.1%)          |
| Impact of expected credit losses | (342)             | (9)               | (597)             | (97.4%)             | 6,528.9%         |
| <b>Total</b>                     | <b>255,970</b>    | <b>98,964</b>     | <b>173,678</b>    | <b>(61.3%)</b>      | <b>75.5%</b>     |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

Cash and cash equivalents constituted 34.0%, 11.7%, and 22.6% of total assets as at 31 December 2022, 31 December 2023, and 31 December 2024, respectively. Cash and cash equivalents is composed of Cash in hand and banks, short term deposits with original maturities of less than three months from the date of acquisition, and the impact of expected credit losses in accordance with IFRS 9. The majority of bank balances are held with Riyadh Bank and the Arab National Bank, whilst the majority of short-term deposits are placed with Riyadh Bank and Alinma Bank.

Cash and cash equivalents decreased from SAR 256.0 million as at 31 December 2022 to SAR 99.0 million as at 31 December 2023, as a result of the Company utilizing cash in hand and banks to increase investments and term deposit balances in order to maximize the expected returns.

Cash and cash equivalents increased from SAR 99.0 million as at 31 December 2023 to SAR 173.7 million as at 31 December 2024, due to an increase in cash in hand and in banks from SAR 34.4 million as at 31 December 2023 to SAR 117.5 million as at 31 December 2024, because the Company did not reinvest a long-term deposit that matured during this period.

As at 31 December 2024, short-term deposits were placed with local and foreign banks with original maturity periods of less than three months from the date of deposit and earned commission income ranging from 0.05% to 4.95%.

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

#### 4.5.1.1 Term Deposits

Term deposits represent deposits held with commercial banks with original maturity periods exceeding three months from the date of acquisition. These term deposits earned a deposit commission rate ranging between 6.42% and 7.50% per annum as at 31 December 2024 (31 December 2023: ranging from 6.52% to 7.75%).

The gross carrying amount of term deposits measured at amortised cost represents the Company's maximum exposure to credit risk on these financial assets, which are categorized as investment grade and Stage 1. Investment grade includes those term deposits with credit risk exposure equivalent to Standard & Poor's (S&P) rating of 'A' to 'A-', whilst non-investment grade represents unrated exposures. The Company's exposures to credit risks are not collateralized.

Term deposits increased from SAR 185.3 million as at 31 December 2022 to SAR 270.6 million as at 31 December 2023, as the Company allocated additional amounts from cash and cash equivalents to term deposits to benefit from higher expected returns.

Term deposit subsequently decreased to SAR 191.9 million as at 31 December 2024, as the Company did not reinvest a deposit that matured during the period.

#### 4.5.1.2 Investments

The following table presents investments as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.16): Investments**

| (SAR'000)                                                        | 31 December       |                   |                   | Increase/(Decrease) |                  |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                                  | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Investments in quoted fixed income securities at FVTPL           | 65,460            | 61,654            | 45,463            | (5.8%)              | (26.3%)          |
| Investments in unquoted equity carried at fair value through OCI | 39,703            | 43,484            | 61,154            | 9.5%                | 40.6%            |
| Investments in associate                                         | 1,135             | 896               | 236               | (21.0%)             | (73.6%)          |
| Investments in equity carried at FVTPL                           | 12,528            | 14,168            | 12,282            | 13.1%               | (13.3%)          |
| Investments in funds carried at FVTPL                            | 68,791            | 156,663           | 126,047           | 127.7%              | (19.5%)          |
| <b>Total investments</b>                                         | <b>187,617</b>    | <b>276,865</b>    | <b>245,182</b>    | <b>47.6%</b>        | <b>(11.4%)</b>   |

Source: Audited financial statements of Buruj Cooperative Insurance Company for the years ended 31 December 2023G and 31 December 2024G.

The following table presents the movement of investments as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.17): The Movements of Investments**

| (SAR'000)                                                                 | 31 December       |                   |                   | Increase/(Decrease) |                  |
|---------------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                                           | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Opening balance                                                           | 191,770           | 186,482           | 275,969           | (2.8%)              | 48.0%            |
| Additions                                                                 | 73,412            | 89,344            | 2,851             | 21.7%               | (96.8%)          |
| Disposals                                                                 | (74,007)          | (5,512)           | (47,948)          | (92.6%)             | 770.0%           |
| Value Impairment                                                          | (1,031)           | -                 | -                 | (100.0%)            | N/A              |
| <b>Subtotal</b>                                                           | <b>190,144</b>    | <b>270,315</b>    | <b>230,872</b>    | <b>42.2%</b>        | <b>(14.6%)</b>   |
| Changes in fair value of investments at fair value through profit or loss | (5,820)           | 1,668             | (3,491)           | (128.7%)            | (309.3%)         |

| (SAR'000)                                                                      | 31 December       |                   |                   | Increase/(Decrease) |                  |
|--------------------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                                                | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Changes in fair value of listed investments through other comprehensive income | 2,690             | 3,781             | 17,670            | 40.5%               | 367.3%           |
| Foreign currency translation discrepancy settlements                           | (532)             | (15)              | (106)             | (97.2%)             | 621.5%           |
| Movement in expected credit loss provision                                     | -                 | 219               | -                 | N/A                 | (100.0%)         |
| <b>Closing balance</b>                                                         | <b>186,482</b>    | <b>275,969</b>    | <b>244,946</b>    | <b>48.0%</b>        | <b>(11.2%)</b>   |
| <b>Investment in subsidiaries</b>                                              |                   |                   |                   |                     |                  |
| Balance as at 1 January                                                        | 598               | 1,135             | 896               | 89.7%               | (21.0%)          |
| Share of profit/(loss)                                                         | 537               | (238)             | (660)             | (144.4%)            | 176.9%           |
| <b>Total closing balance</b>                                                   | <b>187,617</b>    | <b>276,865</b>    | <b>245,182</b>    | <b>47.6%</b>        | <b>(11.4%)</b>   |

Source: Audited financial statements of Buruj Cooperative Insurance Company for the years ended 31 December 2023G and 31 December 2024G.

Total investments increased from SAR 187.6 million as of 31 December 2022 to SAR 276.9 million as of 31 December 2023. This growth was primarily driven by an increase in investments in funds carried at FVTPL, which rose from SAR 68.8 million as of 31 December 2022 to SAR 156.7 million as of 31 December 2023, as the Company allocated additional amounts to these financial assets in order to benefit from higher expected returns.

Investments subsequently decreased to SAR 245.2 million as of 31 December 2024, compared to SAR 276.9 million as of 31 December 2023. This decline was mainly due to a decrease in quoted fixed income securities at FVTPL from SAR 61.7 million as of 31 December 2023 to SAR 45.5 million as of 31 December 2024, and in investments in fund carried at FVTPL from SAR 156.7 million as of 31 December 2023 to SAR 126.0 million as of 31 December 2024, as some of these investments matured.

### Investments in quoted fixed income securities at FVTPL

Investments in quoted fixed income securities at FVTPL include bonds and sukuk issued by banks, financial institutions, government-related entities, private companies, in addition to government bonds and sukuk. The credit risk of these financial assets, based on Standard & Poor's ratings, ranges from A+ to D. The interest rate/expected returns on these investments ranged between 3.0% and 9.5% as of 31 December 2024.

Investments in quoted fixed income securities at FVTPL decreased from SAR 65.5 million as of 31 December 2022 to SAR 61.7 million, as some of these investments matured and were replaced by investments in funds or term deposits.

As of 31 December 2024, Investments in quoted fixed income securities at FVTPL decreased to SAR 45.5 million, as some of these investments matured and were not replaced.

### Investments in unquoted Equity carried at Fair value through OCI

This represents the Company's 3.5% ownership share as of 31 December 2022, 31 December 2023, and 31 December 2024 in Najm for Insurance Services Company, a Saudi closed joint stock company. These shares are unlisted and are measured at fair value. The Company determined the fair value of its investment in Najm based on the result of an independent valuation conducted by a consulting firm. This investment was previously listed at an initial cost of SAR 1.9 million until 31 December 2021, and was remeasured to SAR 39.7 million as of 31 December 2022, SAR 43.5 million as of 31 December 2023, and SAR 61.2 million as of 31 December 2024. Accordingly, the necessary amendments to align the carrying amount of this investment with its fair value, in accordance with the requirements of IFRS 9, were recorded in the opening equity as of 1 January 2022 and 31 December 2022.

### Investment in associate

Investment in associate decreased from SAR 1.1 million as of 31 December 2022 to SAR 0.9 million, and further to SAR 0.2 million as of 31 December 2024, due to losses incurred by the associate company during this period.

Investments in equity carried at FVTPL



Investments in equity carried at FVTPL consist primarily of Aramco shares. The balance increased from SAR 12.5 million as of 31 December 2022 to SAR 14.2 million as of 31 December 2023, and then decreased to SAR 12.3 million as of 31 December 2024, due to changes in the market value of these shares.

#### Investments in funds carried at FVTPL

Investments in funds carried at FVTPL increased from SAR 68.8 million as of 31 December 2022 to SAR 156.7 million as of 31 December 2023, as the Company allocated additional amounts to these investments to benefit from higher expected returns.

The balance subsequently decreased to SAR 126.0 million as of 31 December 2024, driven by a decline in the value of one of the funds. In addition, some of these funds matured during 2024, and the Company did not reinvest the proceeds in other funds.

#### 4.5.1.3 Insurance and Reinsurance Contracts

The following table presents the net insurance and reinsurance contracts balance as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.18): Insurance and Reinsurance Contracts**

| (SAR'000)                                        | 31 December       |                   |                   | Increase/(Decrease) |                  |
|--------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                  | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Insurance contract assets                        | -                 | 63,446            | 22,991            | N/A                 | (63.8%)          |
| Reinsurance contracts assets                     | 29,719            | 38,840            | 52,899            | 30.7%               | 36.2%            |
| Insurance contract liabilities                   | (279,350)         | (336,580)         | (234,245)         | 20.5%               | (30.4%)          |
| Reinsurance contracts liabilities                | -                 | (13,003)          | (12,826)          | N/A                 | (1.4%)           |
| <b>Total insurance and reinsurance contracts</b> | <b>(249,631)</b>  | <b>(247,297)</b>  | <b>(171,180)</b>  | <b>(0.9%)</b>       | <b>(30.8%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The following table presents the total insurance contracts' assets and liabilities as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.19): Total Insurance Contracts' Liabilities and Assets**

| (SAR'000)                                              | 31 December       |                   |                   | Increase/(Decrease) |                  |
|--------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                        | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Medical                                                | 23,313            | 19,458            | 16,921            | (16.5%)             | (13.0%)          |
| Motor                                                  | 98,456            | 83,039            | 76,844            | (15.7%)             | (7.5%)           |
| Property and casualty                                  | (4,752)           | 3,541             | 5,418             | (174.9%)            | 53.0%            |
| <b>Liability for remaining coverage</b>                | <b>117,044</b>    | <b>106,039</b>    | <b>99,183</b>     | <b>(9.4%)</b>       | <b>(6.5%)</b>    |
| Medical                                                | 27,091            | 12,812            | 1,510             | (52.7%)             | (88.2%)          |
| Motor                                                  | 105,718           | 119,511           | 65,782            | 13.0%               | (45.0%)          |
| Property and casualty                                  | 27,667            | 30,523            | 36,959            | 10.3%               | 21.1%            |
| <b>Liability for incurred claims</b>                   | <b>160,477</b>    | <b>162,846</b>    | <b>104,251</b>    | <b>1.5%</b>         | <b>(36.0%)</b>   |
| General measurement model (inherent defects insurance) | 1,829             | 4,251             | 7,820             | 132.4%              | 84.0%            |
| <b>Total</b>                                           | <b>279,350</b>    | <b>273,135</b>    | <b>211,254</b>    | <b>(2.2%)</b>       | <b>(22.7%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G

### Liability for remaining coverage

The liability for remaining coverage decreased from SAR 117.0 million as of 31 December 2022 to SAR 106.0 million as of 31 December 2023, primarily driven by a reduction in the expected loss on onerous contracts based on the recommendation of the actuary.

The liability for remaining coverage decreased by 6.5% to reach SAR 99.2 million as of 31 December 2024, primarily due to higher expected cash inflows resulting from an increase in premiums receivable.

### Liability for incurred claims

There was no material change in the liability for incurred claims as of 31 December 2022 and 31 December 2023.

As of 31 December 2024, the liability for incurred claims decreased by 36.0% to reach SAR 104.3 million, compared to SAR 162.9 million as of 31 December 2023. This decrease was due to the Company reversing surplus insurance provision outstanding for more than five years in 2024, in addition to a reduction in outstanding claims in line with the decline in the Company's loss ratio.

### General measurement model (inherent defects insurance)

There was no material change in insurance contracts liabilities related to the General Measurement Model (inherent defects insurance) as of 31 December 2022, 31 December 2023, and 31 December 2024.

The following table presents the total reinsurance contracts' assets and liabilities as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.20): Total Reinsurance Contracts' Liabilities and Assets**

| (SAR'000)                                      | 31 December       |                   |                   | Increase/(Decrease) |                  |
|------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Medical                                        | 4,098             | 3,028             | (1,754)           | (26.1%)             | (157.9%)         |
| Motor                                          | 2,651             | 1,797             | 4,110             | (32.2%)             | 128.7%           |
| Property and casualty                          | 22,971            | 21,012            | 37,717            | (8.5%)              | 79.5%            |
| <b>Net reinsurance contracts</b>               | <b>29,719</b>     | <b>25,837</b>     | <b>40,074</b>     | <b>(13.1%)</b>      | <b>55.1%</b>     |
| <b>Total reinsurance contracts assets</b>      | <b>29,719</b>     | <b>38,840</b>     | <b>52,899</b>     | <b>30.7%</b>        | <b>36.2%</b>     |
| <b>Total reinsurance contracts liabilities</b> | <b>-</b>          | <b>(13,003)</b>   | <b>(12,826)</b>   | <b>N/A</b>          | <b>(1.4%)</b>    |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G

Total reinsurance contracts decreased from SAR 29.7 million as of 31 December 2022 to SAR 25.8 million, primarily due to a decline in outstanding claims.

As of 31 December 2024, total reinsurance contracts increased by 55.1% to reach SAR 40.1 million, mainly due to the change in the reinsurers' share of a outstanding claims in the property and casualty segment as the Company relies on reinsurance operations under proportional reinsurance agreements and contracts for the property and casualty segment, compared to excess of loss reinsurance contracts for the medical and motor segments.

As of 31 December 2024, total reinsurance contracts increased by 55.1% and amounted to SAR 40.1 million, mainly due to the reinsurers' share of a claim under settlement in the property and casualty segment. The Company relies on reinsurance operations under proportional reinsurance agreements and contracts for the property and casualty segment, compared to excess of loss reinsurance contracts for the medical and motor segments.

#### 4.5.1.4 Statutory Deposit and Accrued Income from Statutory Deposit

The statutory deposit represents 10% of the Company's paid-up capital, which is deposited with a local bank designated by the Insurance Authority in accordance with the Implementing Regulations of the Cooperative Insurance Companies Control Law. The accrued income on this deposit payable to the Insurance Authority amounted to SAR 1.9 million as of 31 December 2024 (31 December 2023: SAR 1.1 million; 31 December 2022: SAR 2.6 million). This deposit cannot be withdrawn without the approval of the Insurance Authority.

The balance of accrued income from the statutory deposit decreased from SAR 2.6 million as of 31 December 2022 to SAR 1.1 million as of 31 December 2023, due to a request submitted by the Insurance Authority to the Company for settling an amount payable to the Authority.

#### 4.5.1.5 Right-of-use assets

The following table presents the right-of-use assets as at 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.21): Right-of-Use Assets**

| (SAR'000)                                    | 31 December       |                   |                   | Increase/(Decrease) |                  |
|----------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                              | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Balance as at 1 January                      | 9,468             | 2,741             | 2,741             | (71.1%)             | -                |
| Additions                                    | -                 | -                 | 3,523             | N/A                 | N/A              |
| Disposals                                    | (6,728)           | -                 | (2,741)           | (100.0%)            | N/A              |
| As at 31 December                            | 2,741             | 2,741             | 3,523             | 0.0%                | 28.5%            |
| <b>Accumulated depreciation</b>              |                   |                   |                   |                     |                  |
| Balance as at 1 January                      | (3,767)           | (1,407)           | (2,467)           | (62.7%)             | 75.4%            |
| Charge                                       | (1,230)           | (1,060)           | (1,154)           | (13.8%)             | 8.9%             |
| Disposals                                    | 3,590             | -                 | 2,741             | (100.0%)            | N/A              |
| As at 31 December                            | (1,407)           | (2,467)           | (881)             | 75.4%               | (64.3%)          |
| <b>The Carrying values as at 31 December</b> | <b>1,334</b>      | <b>274</b>        | <b>2,642</b>      | <b>(79.5%)</b>      | <b>865.1%</b>    |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G .

The Company leases office premises and various points-of-sale stores across Saudi Arabia. Lease contracts are typically made for a period ranging from one month to 12 months and may include extension options. The lease terms are negotiated individually and contain a wide range of different conditions and provisions.

The Company assesses whether a contract contains a lease agreement based on whether the contract grants the right to control the use of an identified asset for a period of time in exchange for a financial consideration. The Company has elected to apply the practical method to account for each lease contract component and any associated non-lease components as a single lease component. The Company recognizes the initial amount of the right-of-use assets and lease liabilities at the lease contract start date. The right-of-use asset is initially measured based on the initial rent liability, adjusted for any rent payments made in or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives.

Right-of-use assets are depreciated over the productive life of the asset or the lease term, using the straight-line method, as it more apparently reflects the expected pattern of consumption of future economic benefits. The lease contract period includes periods covered by an extension option if the Company is reasonably certain about exercise of such option. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and adjusted in order for certain re-measurements of the lease liability.

The balance of right-of-use assets decreased from SAR 1.3 million as of December 2022 to SAR 0.3 million as of 31 December 2023, as the Company closed certain points-of-sale stores and also amended one of office lease contracts.

As of 31 December 2024, the balance of right-of-use assets increased to SAR 2.6 million following the renewal of lease contracts.

#### 4.5.1.6 Prepaid Expenses and Other Assets

The following table presents prepaid expenses and other assets as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.22): Prepaid Expenses and Other Assets**

| (SAR'000)                                      | 31 December       |                   |                   | Increase/(Decrease) |                  |
|------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| VAT receivable                                 | 24,117            | 27,677            | 27,010            | 14.8%               | (2.4%)           |
| Receivable against Co. insurer pool            | 16,329            | 17,010            | 2,349             | 4.2%                | (86.2%)          |
| Prepaid expenses                               | 704               | 1,049             | 1,190             | 49.1%               | 13.4%            |
| Other                                          | 6,081             | 5,314             | 2,681             | (12.6%)             | (49.5%)          |
| <b>Total prepaid expenses and other assets</b> | <b>47,231</b>     | <b>51,050</b>     | <b>33,230</b>     | <b>8.1%</b>         | <b>(34.9%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

Prepaid expenses and other assets increased from SAR 47.2 million as of December 2022 to SAR 51.1 million as of 31 December 2023, mainly due to an increase in VAT receivable from SAR 24.1 million as of December 2022 to SAR 27.7 million as at 31 December 2023, in line with the Company's growth during the year.

As of 31 December 2024, prepaid expenses and other assets insurer pool from SAR 17.0 million as of December 2023 to SAR 2.3 million as of 31 December 2024, as a result of changes to the Hajj and Umrah medical insurance product, which is now issued exclusively through Tawuniya only.

#### 4.5.1.7 4.5.1.7 Property and Equipment, Net

The following table presents property and Equipment as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.23): Property and Equipment, Net**

| (SAR'000)                                | 31 December       |                   |                   | Increase/(Decrease) |                  |
|------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                          | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Leasehold improvements                   | 305               | 442               | 608               | 45.0%               | 37.7%            |
| Furniture, fixtures and office equipment | 1,159             | 1,025             | 911               | (11.6%)             | (11.1%)          |
| Computer equipment and intangibles       | 2,076             | 2,701             | 4,909             | 30.1%               | 81.7%            |
| Motor Vehicles                           | 0                 | 0                 | 0                 | -                   | (0.0%)           |
| <b>Net book value</b>                    | <b>3,540</b>      | <b>4,168</b>      | <b>6,428</b>      | <b>17.7%</b>        | <b>54.2%</b>     |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

There was no material change in property and equipment between 31 December 2022 and 31 December 2023.

The balance increased from SAR 4.2 million as of 31 December 2023 to SAR 6.4 million as of 31 December 2024, due to the increase in computer equipment, and intangibles, in line with the Company's needs.

#### 4.5.1.8 Accrued income

Accrued income represents the income receivable from Investments in quoted fixed income securities at FVTPL, and from term deposits. Accrued income increased from SAR 8.8 million as of 31 December 2022 to SAR 12.3 million as of 31 December 2023, in line with the increase in term deposits during this period.

As of 31 December 2024, accrued income decreased to SAR 8.3 million, due to a decline in term deposits.

#### 4.5.2 Liabilities

The following table presents total liabilities as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.24): Total Liabilities**

| (SAR'000)                                         | 31 December       |                   |                   | Increase/(Decrease) |                  |
|---------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                   | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Insurance contract liabilities                    | 279,350           | 336,580           | 234,245           | 20.5%               | (30.4%)          |
| Reinsurance contracts liabilities                 | -                 | 13,003            | 12,826            | N/A                 | (1.4%)           |
| Accrued income payable to the Insurance Authority | 2,582             | 1,094             | 1,881             | (57.6%)             | 72.0%            |
| Lease liabilities                                 | 1,093             | -                 | 2,371             | (100.0%)            | N/A              |
| Accrued expenses and other liabilities            | 13,773            | 23,491            | 27,796            | 70.6%               | 18.3%            |
| Provision for end of service benefits             | 8,228             | 7,826             | 5,060             | (4.9%)              | (35.3%)          |
| Provision for zakat and income tax                | 26,547            | 20,808            | 10,537            | (21.6%)             | (49.4%)          |
| <b>Total Liabilities</b>                          | <b>331,573</b>    | <b>402,802</b>    | <b>294,715</b>    | <b>21.5%</b>        | <b>(26.8%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

##### 4.5.2.1 Lease Liabilities

The Company's lease liabilities decreased from SAR 1.1 million as of 31 December 2022 to nil as of 31 December 2023, as the company settled all receivables. As of 31 December 2024, lease liabilities increased to SAR 2.4 million within the normal course of business.

##### 4.5.2.2 Accrued Expenses and Other Liabilities

The following table presents accrued expenses and other liabilities as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.25): Payables and other liabilities**

| (SAR'000)                                           | 31 December       |                   |                   | Increase/(Decrease) |                  |
|-----------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                     | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Board of directors and committees' payable          | 2,300             | 2,206             | 2,104             | (4.1%)              | (4.6%)           |
| Payables to brokers and agents                      | 1,481             | 1,412             | 2,419             | (4.6%)              | 71.3%            |
| Employees' related accruals and payables            | 524               | 335               | 289               | (36.1%)             | (13.7%)          |
| Other                                               | 9,467             | 19,538            | 22,984            | 106.4%              | 17.6%            |
| <b>Total accrued expenses and other liabilities</b> | <b>13,773</b>     | <b>23,491</b>     | <b>27,796</b>     | <b>70.6%</b>        | <b>18.3%</b>     |

Source: Audited financial statements of the Company for the two fiscal years ended 31 December 2023 and 31 December 2024.

Accrued expenses and other liabilities increased from SAR 13.7 million as of 31 December 2022 to SAR 23.5 million as of 31 December 2023, primarily due to an increase in other miscellaneous payables from SAR 9.5 million as of 31 December 2022 to SAR 19.5 million as of 31 December 2023. This was mainly driven by the formation of a provision amounting to SAR 3.0 million for a tax assessment issued by ZATCA, in addition to the increase in administrative expenses (unrelated to employees' salaries).

The balance further increased by 18.3% to reach SAR 27.8 million as of 31 December 2024, mainly due to an increase in VAT payables.

#### 4.5.2.3 Provision for End of Service Benefits

The following table presents the provision for end-of-service benefits as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.26): Provision for End of Service Benefits**

| (SAR'000)                                                          | 31 December       |                   |                   | Increase/(Decrease) |                  |
|--------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                                    | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| End of Service Benefit at the beginning of the year                | 12,312            | 8,228             | 7,826             | (33.2%)             | (4.9%)           |
| Current service cost                                               | 2,219             | 1,010             | 796               | (54.5%)             | (21.2%)          |
| Commission rate costs                                              | 369               | 178               | 324               | (51.7%)             | 81.6%            |
| Actuarial losses from experience settlement                        | (4,040)           | (488)             | (2,480)           | (87.9%)             | 408.7%           |
| Benefits paid during the year                                      | (2,632)           | (1,103)           | (1,406)           | (58.1%)             | 27.5%            |
| <b>Present value of end of service benefits at end of the year</b> | <b>8,228</b>      | <b>7,826</b>      | <b>5,060</b>      | <b>(4.9%)</b>       | <b>(35.3%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Provision 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 of provision for end of service benefit decreased by 35.3%, from SAR 7.8 million as of 31 December 2023 to SAR 5.1 million as of 31 December 2024, due to actuarial losses, which amounted to SAR 2.5 million based on the actuary's recommendation, in addition to benefits paid amounting to SAR 1.4 million during the year.

#### 4.5.2.4 Provision for Zakat and income tax

**Table (4.27): Movement in Provision for Zakat and income tax**

| (SAR'000)                          | 31 December       |                   |                   | Increase/(Decrease) |                  |
|------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                    | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Opening liability for Zakat        | 32,841            | 26,547            | 20,808            | (19.2%)             | (21.6%)          |
| Expense for the year               | 5,124             | 5,497             | 9,806             | 7.3%                | 78.4%            |
| Paid during the year               | (11,419)          | (11,236)          | (20,077)          | (1.6%)              | 78.7%            |
| <b>Closing liability for Zakat</b> | <b>26,547</b>     | <b>20,808</b>     | <b>10,537</b>     | <b>(21.6%)</b>      | <b>(49.4%)</b>   |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

The Company has filed zakat returns with the General Authority of Zakat and Tax for the years from 2010 to 2023.

After reviewing the zakat returns by ZATCA for the years 2010 to 2012, the Authority issued a zakat assessment, which the Company objected to. Final decisions were issued for the objections, resulting in the Company's favor amounting to SAR 340,868 and SAR 325,000, respectively which were fully refunded by ZATCA.

After reviewing the zakat returns by ZATCA for the years 2015 to 2018, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 13,288,746 following a decision by the Tax Disputes and Violations Resolution Committee. The Company appealed to the Appeals Committee, and a final decision was issued. The Company paid the amount due as a final settlement of the liability.

After reviewing the withholding tax returns by ZATCA for the years 2014 to 2018, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessment amount and waived the fines in accordance with the Authority's initiatives. The Tax Disputes and Violations Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the final decision was issued, constituting a final settlement of the liability.

After reviewing the zakat returns by ZATCA for the years 2019 to 2020, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 4,146,940 following a decision by the Tax Violations and Disputes Resolution Committee. The Company appealed to the Appeals Committee, and the final decision resulted in the dismissal of the case. The Company is in the process of settling the dues, and the Company has paid the dues as a final settlement of the liability.

After reviewing the value-added tax returns by ZATCA for the years 2018 to 2019, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessed amount and waived the fines in accordance with the Authority's initiatives. The Tax Violations and Disputes Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the Company paid the due amount as final settlement of the liability.

For the years 2021 and 2022, the Company requested to resubmit its zakat returns based on the new zakat regulations. The ZATCA accepted the request and issued assessments of SAR 376,260 and SAR 897,995, respectively. The Company approved the assessment, and paid the due amount as final settlement.

For the year 2023, the ZATCA issued a zakat assessment of SAR 2,029,802, and the Company paid the due amount as final settlement of the liability.

For the years 2021 and 2022, the ZATCA issued value-added assessments (after reduction based on the Company's objection) of SAR 312,478 and SAR 579,465, respectively, and the Company paid the due amount as final settlement of the liability.

Regarding the year 2023, both VAT and withholding tax are currently under review by ZATCA, and there is no liability to date.

### 4.5.3 Equity

The following table presents details of total equity as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.28): Total Equity**

| (SAR'000)                                 | 31 December       |                   |                   | Increase/(Decrease) |                  |
|-------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                           | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| Share capital                             | 300,000           | 300,000           | 300,000           | -                   | -                |
| Statutory reserves                        | 51,584            | 55,601            | 57,478            | 7.8%                | 3.4%             |
| Retained earnings                         | 28,149            | 44,216            | 51,725            | 57.1%               | 17.0%            |
| Fair value reserve for investments        | 37,780            | 41,561            | 59,231            | 10.0%               | 42.5%            |
| Actuarial gain on end of service benefits | 2,971             | 3,459             | 5,939             | 16.4%               | 71.7%            |
| <b>Total Equity</b>                       | <b>420,484</b>    | <b>444,836</b>    | <b>474,373</b>    | <b>5.8%</b>         | <b>6.6%</b>      |

Source: Audited financial statements of the Company for the two fiscal years ended 31 December 2023 and 31 December 2024.

#### 4.5.3.1 Share Capital

The company's authorized, issued, and paid-up capital amounts to SAR 300 million, consisting of 30 million shares with a value of SAR 10 per share. There were no changes to share capital between 31 December 2022 and 31 December 2024.

#### 4.5.3.2 Statutory reserve

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of IA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

#### 4.5.3.3 Retained Earnings

Retained earnings increased from SAR 28.1 million as of 31 December 2022 to SAR 44.2 million as of 31 December 2023, and subsequently to SAR 51.7 million as of 31 December 2024, as a result of the company's profitability during the period.

#### 4.5.3.4 Fair Value Reserve for Investments

This represents the Company's 3.5% ownership share as of 31 December 2022, 31 December 2023, and 31 December 2024 in Najm for Insurance Services Company, a Saudi closed joint stock company. These shares are unlisted and are measured at fair value. The Company determined the fair value of its investment in Najm based on the result of an independent valuation conducted by a consulting firm. This investment was previously listed at an initial cost of SAR 1.9 million until 31 December 2021, and was remeasured to SAR 39.7 million as of 31 December 2022, SAR 43.5 million as of 31 December 2023, and SAR 61.2 million as of 31 December 2024. Accordingly, the necessary amendments to align the carrying amount of this investment with its fair value, in accordance with the requirements of IFRS 9, were recorded in the opening equity as of 1 January 2022 and 31 December 2022.

#### 4.5.3.5 Actuarial Gain on End of Service Benefit

Actuarial gain on end of service benefits increased from SAR 3.0 million as of 31 December 2022 to SAR 5.9 million as of 31 December 2024, based on the recommendation of the actuary.

## 4.6 Statement of Cash Flows

The following table presents the statement of cash flows as of 31 December 2022, 31 December 2023, and 31 December 2024:

**Table (4.29): Statement of Cash Flows**

| (SAR'000)                                                    | 31 December       |                   |                   | Increase/(Decrease) |                  |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
|                                                              | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024 |
| <b>Cash flow from operating activities</b>                   |                   |                   |                   |                     |                  |
| Gross income for the year before zakat and tax               | (23,876)          | 25,580            | 19,192            | (207.1%)            | (25.0%)          |
| <b>Adjustments for non-cash items</b>                        |                   |                   |                   |                     |                  |
| Depreciation of property and equipment                       | 1,546             | 1,556             | 1,744             | 0.6%                | 12.1%            |
| Net fair value (gain) / loss on sale of investments at FVTPL | 8,916             | (1,668)           | 3,491             | (118.7%)            | (309.3%)         |
| Interest revenue from financial assets                       | (21,920)          | (21,779)          | (21,498)          | (0.6%)              | (1.3%)           |
| Dividend from financial assets measured at FVTPL             | (2,638)           | (5,047)           | (10,495)          | 91.3%               | 107.9%           |
| Finance charges on lease liabilities                         | 29                | 7                 | 113               | (75.0%)             | 1,429.7%         |
| Other investment income                                      | (25)              | (10)              | 630               | (60.0%)             | (6,383.1%)       |
| Loss on disposal of property and equipment                   | 419               | -                 | 5                 | (100.0%)            | N/A              |
| Provision for employee benefits obligation                   | 2,589             | 1,189             | 1,120             | (54.1%)             | (5.8%)           |
| Depreciation of right-of-use assets                          | 1,230             | 1,060             | 1,154             | (13.8%)             | 8.9%             |
| Expected credit losses / (gain)                              | (2,069)           | (114)             | (93)              | (94.5%)             | (18.7%)          |
|                                                              | (35,799)          | 774               | (4,638)           | (102.2%)            | (699.4%)         |



| (SAR'000)                                                       | 31 December       |                   |                   | Increase/(Decrease) |                   |
|-----------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
|                                                                 | 2022<br>(Audited) | 2023<br>(Audited) | 2024<br>(Audited) | December<br>2023    | December<br>2024  |
| <b>Changes in operating assets and liabilities</b>              |                   |                   |                   |                     |                   |
| Prepaid expenses and other assets                               | (27,140)          | (3,819)           | 17,820            | (85.9%)             | (566.6%)          |
| Accrued expenses and other liabilities                          | 2,676             | 9,718             | 4,305             | 263.2%              | (55.7%)           |
| Insurance contracts, net                                        | (74,482)          | (6,215)           | (61,881)          | (91.7%)             | 895.6%            |
| Reinsurance contracts, net                                      | (1,853)           | 3,882             | (14,236)          | (309.5%)            | (466.7%)          |
| <b>Net cash (used in) / generated from operating activities</b> | <b>(136,597)</b>  | <b>4,340</b>      | <b>(58,630)</b>   | <b>(103.2%)</b>     | <b>(1,451.0%)</b> |
| Zakat and income tax paid                                       | (11,419)          | (11,236)          | (20,077)          | (1.6%)              | 78.7%             |
| Payment of employee benefits obligation                         | (2,632)           | (1,103)           | (1,406)           | (58.1%)             | 27.5%             |
| <b>Net cash used in operating activities</b>                    | <b>(150,648)</b>  | <b>(7,999)</b>    | <b>(80,113)</b>   | <b>(94.7%)</b>      | <b>901.5%</b>     |
| <b>Cashflows from investing activities</b>                      |                   |                   |                   |                     |                   |
| Additions to property and equipment                             | (1,422)           | (2,185)           | (4,012)           | 53.7%               | 83.6%             |
| Proceeds from disposal of property and equipment                | 47                | 1                 | 139               | (97.4%)             | 11,302.4%         |
| Additions to investments                                        | (76,078)          | (89,344)          | (2,851)           | 17.4%               | (96.8%)           |
| Investment income received                                      | 25,035            | 23,703            | 36,029            | (5.3%)              | 52.0%             |
| Proceeds from sale of investments                               | 74,007            | 5,512             | 47,948            | (92.6%)             | 770.0%            |
| Additions /(disposals) in term deposits                         | 148,743           | (85,592)          | 78,839            | (157.5%)            | (192.1%)          |
| <b>Net cash (used in) / generated from investing activities</b> | <b>170,331</b>    | <b>(147,906)</b>  | <b>156,092</b>    | <b>(186.8%)</b>     | <b>(205.5%)</b>   |
| <b>Cashflows from financing activities</b>                      |                   |                   |                   |                     |                   |
| Lease liabilities paid                                          | (996)             | (1,100)           | (1,265)           | 10.4%               | 15.0%             |
| <b>Net cash used in financing activities</b>                    | <b>(996)</b>      | <b>(1,100)</b>    | <b>(1,265)</b>    | <b>10.4%</b>        | <b>15.0%</b>      |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   | <b>18,687</b>     | <b>(157,005)</b>  | <b>74,714</b>     | <b>(940.2%)</b>     | <b>(147.6%)</b>   |
| Cash and cash equivalents at beginning of the year              | 237,282           | 255,970           | 98,964            | 7.9%                | (61.3%)           |
| <b>Cash and cash equivalents at the end of the year</b>         | <b>255,970</b>    | <b>98,964</b>     | <b>173,678</b>    | <b>(61.3%)</b>      | <b>75.5%</b>      |

Source: Audited financial statements of Buruj for the years ended 31 December 2023G and 31 December 2024G.

Cash and cash equivalents decreased from SAR 256.0 million as of 31 December 2022 to SAR 99.0 million as of 31 December 2023, as net cash used in investing activities amounted to SAR 147.9 million during 2023. This was mainly driven by the Company's decision to convert part of its available cash into investments and time deposits to benefit from higher expected returns.

Consequently, Cash and cash equivalents then increased to SAR 173.7 million as of 31 December 2024, due to net cash generated from investing activities of SAR 156.1 million during 2024, resulting from the maturity of certain time deposits during the period which were not reinvested.

#### 4.6.1 Net cash used in operating activities

With respect to operating activities, the Company recorded negative cash flows of SAR 150.7 million during 2022, mainly due to the loss incurred by the Company and the increase in the loss ratio. Net cash used in operating activities decreased to SAR 8.0 million in 2023, driven by the Company's profitability during 2023 and a decline in outstanding claims.

For the year ended on 31 December 2024, net cash used in operating activities amounted to SAR 80.1 million, primarily due to an increase in insurance and reinsurance contract assets.

#### **4.6.2 Net cash (used in)/generated from investment activities**

During 2022, the Company collected SAR 148.7 million from time deposits in addition to SAR 74.0 million from proceeds generated from the sale of investments, which drove net cash from investment activities to SAR 170.3 million. These amounts were mainly used to settle the amounts due from operating activities mentioned above.

In 2023, net cash used in investment activities amounted to SAR 147.9 million, as the Company increased the amounts allocated to investments and time deposits.

Net cash generated from investment activities amounted to SAR 156.1 million during 2024, driven by proceeds from time deposits that the Company did not reinvest.

#### **4.6.3 Net cash used in financing activities**

Negative cash flows generated from financing activities were related to lease payments in respect of leased offices and sales centers.

### **4.7 Capital Commitments and Other Contingent Liabilities Litigation**

#### **Legal claim**

The Company operates in the insurance sector and is vulnerable to legal claims in the normal course of its business.

While it is impractical to predict or determine the ultimate outcome of all legal claims, management believes that such claims (including ongoing cases) will not have any material impact on the Company's results or financial position. The Company had no material outstanding claims as at 31 December 2024.



## 5. Legal Information

### 5.1 Declarations of the Members of the Medgulf board

The Members of the Medgulf board hereby declare the following:

- 1- The Merger does not violate the relevant laws and regulations in the Saudi Arabia.
- 2- The issuance of Consideration Shares shall not prejudice any of the contracts or agreements, to which Medgulf is a party.
- 3- This section contains all the material legal information related to the Merger documents that Medgulf's shareholders shall take into consideration in order to vote based on knowledge and awareness.
- 4- There is no other material legal information in this section, the deletion of which would make the other statements misleading.

### 5.2 Merger's Legal Information

#### 5.2.1 Summary of the Merger's Legal Structure

Medgulf made an offer to the shareholders of Buruj Cooperative Insurance Company ("Buruj") for the purpose of merging it into Medgulf and transferring all rights, obligations, assets, and contracts of Buruj to Medgulf. In return, Medgulf would issue thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) ordinary shares to the shareholders of Buruj, by increasing its share capital from SAR (1,050,000,000) to SAR (1,381,578,940) and increasing the number of its shares from (105,000,000) ordinary shares to (138,157,894) ordinary shares. This represents an increase of (31.58%) in Medgulf's current share capital.

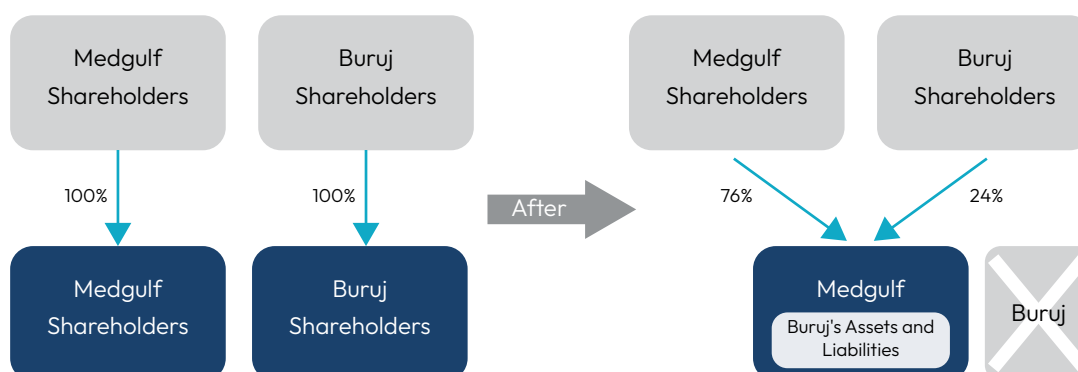
The total number of consideration shares will amount to thirty-three million, one hundred fifty-seven thousand, eight hundred ninety-four (33,157,894) fully paid ordinary shares, with a nominal value of SAR 10 per share. Accordingly, the total nominal value of the consideration shares will be three hundred thirty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyal (SAR 331,578,940). These shares will be issued through an increase in Medgulf's share capital by (31.58%), from one billion and fifty million Saudi Riyal (SAR 1,050,000,000) to one billion, three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyal (SAR 1,381,578,940), and an increase in the number of its ordinary shares from one hundred five million (105,000,000) to one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) ordinary shares.

Following the effectiveness of the Merger Resolution, the current shareholders of Medgulf will own approximately 76% of Medgulf's share capital after the capital increase, while the shareholders of Buruj will own approximately 24% of Medgulf's share capital after the capital increase.

The total value of the Merger will be determined based on the value of the Consideration Shares. The total nominal value of the Consideration Shares is three hundred thirty-one million, five hundred seventy-eight thousand, nine hundred forty Saudi Riyals (SAR 331,578,940). The total market value of the Consideration Shares amounts to five hundred eighty-four million, five hundred seventy-three thousand, six hundred seventy-one Saudi Riyals (SAR 584,573,671), based on the closing price of Medgulf's share amounting to seventeen Saudi Riyals and sixty-three halalas (SAR 17.63) as at 29/01/1447H (corresponding to 24/07/2025G), (which was the last trading day prior to the announcement of the conclusion of the Merger Agreement.) The total value of Consideration Shares, which will be recorded on the financial statements of Medgulf, will be determined based on the closing price of Medgulf's share at the last trading day prior to the date of the issuance of the Consideration Shares.

If the calculation of the number of shares due to any of the shareholders of Buruj based on the Exchange Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number. For example, if a shareholder of Buruj owns (100) shares in Buruj, (110) consideration shares will be allocated to them, and not one hundred, ten and fractions (110.53). The fractional shares will be collected and sold in the market on behalf of Buruj's shareholders, and then the proceeds resulting from the sale of the fractional shares will be distributed to those entitled own to them, each according to their entitlement, after deducting the costs related to the sale of the fractional shares from the total proceeds of the sale of the fractional shares.

The below diagram is a simplified description of the structure of Merger:



### 5.2.2 Procedures Required for the Issuance and Effectiveness of the Merger Resolution

#### 5.2.2.1 Government approvals

The Issuance and Effectiveness of the Merger Resolution require obtaining several governmental approvals, as follows:

- a- Obtaining the GAC's non-objection to the economic concentration resulting from the Merger.
- b- Obtaining the Insurance Authority's approval of the Merger and the related procedures and matters.
- c- Obtaining the approval of the Saudi Exchange (Tadawul) for the listing of the Consideration Shares.
- d- Obtaining the CMA's approval of the Medgulf's Request for Capital Increase and the publication of Offer Document.
- e- Obtaining the non-objection of the Ministry of Commerce and the Insurance Authority to the proposed amendments to the Medgulf's Bylaws (as detailed in **Annex (I)** of this Shareholders' Circular).
- f- Obtaining the approval of the CMA for invitation to Medgulf's Merger EGM and Buruj's Merger EGM, and the date of the assemblies will be announced on the website of the Saudi Exchange (Tadawul).
- g- Obtaining the approval the Ministry of Commerce to update the commercial registration of Medgulf and the commercial registration of Buruj, as needed.

With the exception of obtaining the Ministry of Commerce's non-objection on the amendments to the bylaws and the CMA's approval of invitation to Medgulf's Merger EGM and Buruj's Merger EGM, and the approval of the Ministry of Commerce to update the commercial registration, all of the governmental approvals set out above have been obtained.

### 5.2.3 Approval of the Extraordinary General Assembly (EGM).

The terms of the Merger include obtaining approval of Medgulf's EGM and Buruj's EGM for merger as follows:

- a- Approval of Merger Resolutions by the required majority, which represents no less than three-quarters of the shares with voting rights represented at the meeting by Medgulf's shareholders.
- b- Approval of Merger Resolutions by the required majority, which represents no less than three-quarters of the shares with voting rights represented at the meeting by Burui's shareholders.

Both Medgulf and Buruj will issue the invitation to the EGM pertaining to Merger for each of them, which must be held within a maximum period not exceeding twenty-eight (28) working days from the date of publishing this circular (or any other date agreed by the CMA).

Medgulf's EGM shall be valid if attended by shareholders representing at least half of the shares of Medgulf that have voting rights. If this quorum is not reached at the first meeting, an invitation to second meeting to be held one hour after the expiration of the period specified for holding the first meeting shall be sent (provided that the invitation to hold the first meeting includes a statement of the possibility of holding a second meeting one hour after the expiration of the period specified for holding the first meeting if the legal quorum required to hold the meeting is not reached). The second meeting shall be valid if attended by shareholders representing at least one quarter of Medgulf's shares that have voting rights. If the required quorum is not reached at the second meeting, Medgulf will apply to the CMA to obtain its approval of holding a third meeting of the EGM. Upon obtaining its approval, Medgulf will publish the invitation to the EGM, and the EGM shall be held after a period not less than twenty-one (21) days from the date of publication of the invitation. The third meeting shall be valid regardless of the number of shares represented therein.

All shareholders registered in Medgulf's shareholders register at the close of trading on the day of the Merger Extraordinary General Assembly meeting shall have the right to attend the EGM. Shareholders may exercise their right to vote on the agenda items through electronic voting, in accordance with the procedures followed in this regard. Based on paragraph (n) of Article (3) of the M&A Regulations, a shareholder who owns shares in both Medgulf and Buruj shall not be entitled to vote on Merger Resolutions except in the EGM of one of the companies only. If the shareholder votes in both assemblies, their vote shall be excluded from one of them based on the decision of the companies as they deem fit.

The votes at EGM shall be calculated on the basis of one vote per share, and a shareholder who is unable to attend the EGM (by electronic voting) will lose their right to vote at the EGM and the votes associated with their shares will not be taken into account.

#### **5.2.4 Creditors' Objection Period**

At least thirty (30) days prior to the convention of the EGM of the companies to vote on the Merger Resolutions, the companies announced the Merger, and the procedures for Creditors of Buruj to object, whereby such Creditors shall have a period of fifteen (15) days from the date of the announcement to submit any objections in accordance with the provisions of Article (227) of the Companies Law, pursuant to the mechanism to be specified in the announcement.

Buruj shall settle the debt of the Objecting Creditor, if such debt is due and payable, or provide sufficient warranty to settle the debt if it is deferred. The Creditor who notified the Buruj of their objection to the Merger during the Creditors' Objection Period, but Buruj fails to settle the debt if it is due or fails to provide such Creditor with sufficient warranty to settle the same if it is deferred, may apply to the competent judicial authority within a period of no less than ten (10) days before the date set for voting on the merger resolutions. In such case, the competent judicial authority may order the payment of the debt if it is due or the provision of a warranty to settle the debt if it is deferred. If the competent judicial authority deems that the Merger will result in serious damages to the objecting creditor without the companies being able to settle the debt or provide the warranty, it may order the suspension or postponement of the Merger, provided that its decision to that effect is issued before the Effectiveness of the Merger Resolution. Unless the competent judicial authority decides on the Creditor's objection, before the Effectiveness of the Merger Resolution, and it subsequently finds out that the objecting creditor's claim is valid, it may issue a decision to compensate such creditor for the damages suffered by it as a result of the merger.

After the expiry of the Creditors' Objection Period, Buruj will announce the results of the Creditors' Objection Period on the Saudi Exchange (Tadawul) website as follows:

- a- That no objections were received during such period, or that objections were received but were withdrawn or settled, or that the competent judicial authority rejected the creditor's request to terminate the Merger (as the case may be).
- b- Disclosure of the details of the objections received that have not yet been settled and are still pending, as agreed upon with Medgulf. In such case, the merger will move forward unless halted by a judicial order or terminated according to the terms of the merger agreement. After addressing all objections, Buruj will, where required, announce the same via the Saudi Stock Exchange (Tadawul) website.



### 5.2.5 Effectiveness of Merger Resolution

Pursuant to Article (228) of the Companies Law, the Merger Resolution shall be effective and deemed valid from the date of registration of Buruj's data in the commercial register of Medgulf. As soon as possible after Issuance of Merger Resolution:

- a- Buruj will take all necessary measures to suspend trading of its shares on Tadawul, allowing Edaa to withdraw the register of Buruj's shareholders entitled to receive Consideration Shares, at the end of the second trading day following the date of such suspension or any other day specified by CMA or the Saudi Exchange (Tadawul) or Edaa.
- b- Medgulf will take all necessary procedures to enable the issuance of the new fully paid shares and deposit them in the portfolios of Buruj's shareholders included in the agreed list according to the Exchange Ratio.
- c- The Companies will take all necessary procedures to update the commercial records in order to enforce the Merger Resolution simultaneously with the deposit of the Consideration Shares or as soon as possible thereafter.

### 5.2.6 Summary of Merger Agreement

Medgulf and Buruj concluded the Merger Agreement on 01/02/1447H (corresponding to 26/07/2025G), under which, they agreed on the terms and conditions of the Merger, and the Companies' obligations in connection with the implementation of the Merger. The Merger Agreement also includes a number of Warranties provided by each Company to the other in addition to a number of restrictions related to the practice of business.

The Merger is subject to the approval of both the shareholders of Medgulf and the shareholders of Buruj. Based on paragraph (n) of Article (3) of the M&A Regulations, a shareholder who owns shares in both Medgulf and Buruj is not entitled to vote on Merger Resolutions except in the EGM of one of the companies only. For more details on shareholders' voting in the EGM, please refer to Section (5.2.3) ("**Approval of the Extraordinary General Assembly (EGM).**").

#### 5.2.6.1 The Conditions of Merger Agreement

The Merger Agreement includes a number of conditions that must be met, which the companies are obligated to meet as soon as possible before the Issuance of Merger Resolution, and to coordinate between them in this regard. The companies also agreed that none of these conditions may be amended or waived except upon the written consent of the companies or in accordance with provisions of Merger Agreement. Such conditions are summarized as follows:

- 1- Obtaining all required approvals from the Insurance Authority in relation to the Merger.
- 2- Obtaining all required approvals from the CMA in relation to the Merger.
- 3- Obtaining the approval of the Saudi Exchange (Tadawul) to list the Consideration Shares or any other approvals (or providing any notices) that may be required by Saudi Exchange (Tadawul) in connection with the Merger.
- 4- Obtaining the non-objection of the Ministry of Commerce and the Insurance Authority on the proposed amendments to Medgulf's Bylaws.
- 5- Obtaining the approval of the required majority of the shareholders of Medgulf on the Merger Resolutions.
- 6- Obtaining the approval of the required majority of the shareholders of Buruj on the Merger Resolutions.
- 7- No Material Adverse Event having occurred and being continuing.
- 8- The expiry of the Creditors' Objection Period, and that all objections (if any) have either been settled or withdrawn in accordance with the Companies Law and the provisions of the Agreement.
- 9- Avoid any breach of the restrictions of the practice of business set forth in Section (5-2-6-2) ("**Restrictions of the Practice of Business**") that could lead to a Material Adverse Event.
- 10- Non-breach of the Warranties provided by each of Medgulf and Buruj under the Merger Agreement as set out in Section (5-2-6-4) ("**Warranty**"), unless the party in breach remedies the concerned breach in a manner acceptable to the other party if such breach is remediable.
- 11- No governmental authority or entity having enacted, issued, or promulgated, any order, judgment, decree or other action which prohibits or makes the implementation of the Merger Resolution, in accordance with the terms of the Merger Agreement, illegal.
- 12- As regards to Buruj, obtaining the approval of the reinsurers for the Merger.

### 5.2.6.2 Restrictions on the Practice of Business

The Merger Agreement included an obligation on the Companies not to take any action that violates specific restrictions in the Merger Agreement regarding how the companies practice their business during the period between the date of signing the Merger Agreement and the date of the Effectiveness of the Merger Resolution or the date of termination of the Merger Agreement in accordance with the terms and conditions contained therein (whichever is sooner) without obtaining the consent of the other party, noting that the other party cannot unreasonably withhold or delay its consent.

In the event that either party breaches any of these restrictions, the other party shall have the right to consider such breach as a Material Adverse Event (at reasonable discretion of non-breaching party) and to terminate the Agreement accordingly upon a written notice to the breaching party, unless this breach is remedied at satisfaction of the other party within fourteen days. For more details on the Termination Provisions of the Merger Agreement, please refer to Section (5.2.6.6) ("**Provisions of Termination of Merger Agreement**").

The restrictions on the practice of business contained in the Merger Agreement stipulate that neither company shall take any action, or agree to take any action, that would violate any of those restrictions unless required by law. Such restrictions are summarized as follows:

- 1- Not to carry on business other than in the ordinary course and in all material respects consistent with past practice, except where such practices violate applicable law and regulations.
- 2- Not to alter the nature or scope of its business in any material respect, nor to engage in new business activities.
- 3- Not to declare, retain, or pay any dividends or any other form of distribution—whether in cash or in kind—for any financial period.
- 4- Not to take any action that would result in the liquidation, merger, dissolution, or conversion of the company into another corporate form.
- 5- Not to propose, approve or carry out any share increase, share buy-back, sale of treasury shares, share split or combination, change in nominal value, or share cancellation, or issuance of any investment instrument other than equity instruments.
- 6- Not to make any amendments to its share capital or its constitutional documents.

#### **In relation to Buruj only:**

- 1- Not to enter into any new agreement or amend any existing agreement, nor to commit to or commence any action that would result in consideration, obligation, or expenses exceeding 5% of net assets as of 31 March 2025G.
- 2- Not to enter into any loan or financing agreement.
- 3- Not to change the reinsurance policy and strategy, including entering into any reinsurance agreement for the purpose of solvency leverage or to materially change in the coverage ratio, or any substantial amendment or termination of any reinsurance arrangement.
- 4- Not employing or making any offer to employ any senior executive (i.e., any person who reports directly to the CEO or the Board), and not taking any action or making any material change relating to the terms and conditions of the employment contract of any such senior executive.
- 5- Not to amend any of its human resources policies, nor grant promotions, bonuses, or any other benefits other than in accordance with the current policies and past practices.

### 5.2.6.3 Exceptions to Restrictions on the Practice of Business

Subject to the foregoing, the Companies have agreed upon determining some exceptions to the restrictions on the practice of business which allow each of the Companies to practice specific businesses and take certain actions without such practices being considered a breach of the restrictions on the practice of business referred to above, as follows:

- 1- Taking any actions publicly disclosed or privately disclosed to the other party (company) in writing prior to the date of the Merger Agreement.
- 2- Taking any procedures stipulated in the Merger Agreement.



- 3- Issuing letters of guarantee without deposit of any security amount being placed by a bank in favor of any of the insurance companies.

#### 5.2.6.4 Warranties

Both Companies have provided a number of Warranties under the Merger Agreement, where each Company provided the following Warranties in respect of itself:

- 1- Each of Medgulf and Buruj has the requisite power and authority to enter into and perform its obligations pursuant to the Merger Agreement.
- 2- The obligations arising from the Merger Agreement are effective and binding on both parties.
- 3- That the conclusion of the Merger Agreement and the performance of the obligations thereunder will not result in a material breach of (1) the provisions of either of their constitutional documents, including the bylaws, or (2) the provisions of any material agreement (as defined) or give the other party the right to terminate it or to amend its provisions substantially.
- 4- That both parties do not engage in any business or activity other than the insurance activities that IA licenses to them to practice.
- 5- That neither party has been declared bankrupt, and there are no circumstances known, or that could be reasonably known upon due inquiry, which would entitle any person to present a petition for the winding-up of either party or the appointment of a receiver over its undertaking or assets, whether in whole or in part.
- 6- That it does not have: (1) securities convertible into or exchangeable for shares of any class; or (2) any option, warrant or other rights to subscribe for or purchase shares of any class of any party; or (3) agreement of any kind relating to the issuance of any shares of any class, or any securities convertible into or exchangeable for shares, or any options, warrants or rights.
- 7- That the annual or interim financial statements up to the date of the Merger Agreement, and the management accounts disclosed to the other party, are true, not misleading and present an accurate view of that party's results for the relevant period and financial position at the end of the relevant period.
- 8- That all either party's information provided to the other party in connection with the Merger or the party (including information provided during the due diligence phase or for the purpose of preparing the Merger documents) is true and complete in all material aspects and not misleading in any material respect as at the date thereof.
- 9- That no material information has been withheld from the other party in the context of the Merger, or any other information that was requested during the due diligence phase.

#### 5.2.6.5 Governance of the Medgulf board Following Completion of the Merger

Subject to obtaining all required legal approvals (including the non-objection of the Insurance Authority) and the approval of the shareholders of the companies, the Parties (companies) have agreed, pursuant to the Merger Agreement, to take all necessary steps to amend the composition of the Medgulf board following the Issuance of Merger Resolution. Upon the Issuance of Merger Resolution, Buruj will nominate two (2) individuals for appointment to the Medgulf board, thereby increasing the total number of Board seats from seven (7) to nine (9). In addition, the Companies have agreed that Mr. Yasser Yousef Naghi, (the current Chairman of Buruj), shall be appointed as Chairman of the Merging Company following the Issuance of Merger Resolution, subject to obtaining the required legal approvals. Buruj has nominated Mr. Ziad Mohammed Albassam (a current board member in Buruj) as its second nominee.

Buruj shall be also entitled, following the effectiveness of the merger resolution, to nominate members for appointment by the Board of Directors to all committees of the Medgulf board, in proportion to the exchange ratio (i.e., approximately twenty-four percent (24%) of each committee's membership), provided that the number of nominees is rounded up to the nearest whole number, and number of the nominees shall not exceed fifty percent (50%) of number of members of any committee.

Any new members of the Board of Directors or any nominee to Board committees appointed by Buruj shall satisfy all applicable membership requirements of the Board or committees in accordance with the IA regulations and the CMA regulations, and the non-objection of the IA must be obtained in respect of such new members. Buruj shall further ensure that the appointment of the new members to the Board or committees does not jeopardize the relevant regulatory independence requirements.

These changes will only be reflected after the Issuance of the Merger Resolution, and until such time, the current Boards of Directors and executive management teams of both Companies will continue to manage their respective company and operate independently.

#### **5.2.6.6 Provisions of Termination of Merger Agreement**

The Merger Agreement shall be immediately terminated and accordingly, all rights and obligations of the Companies under the Agreement shall expire (except for certain rights and obligations that remain binding even after termination, such as confidentiality and dispute resolution) in the following events:

- 1- If either gives notice of termination to the other party in the event of occurrence of a Material Adverse Event to the other party, without remedying such event to the satisfaction of the other party within fourteen (14) days.
- 2- If either party gives notice of termination of the Merger Agreement to the other party in the event that either party breaches any of the terms and conditions of the Agreement (including breach of warranties and undertakings), without remedying such breach to the satisfaction of the other party within fourteen (14) days.
- 3- In the case of failure to meet the conditions of the Merger (unless the obligation to any of the conditions of the Merger Agreement is waived) within six months from the date of the Merger Agreement (unless the parties agree in writing to another date).
- 4- If the competent judicial authority permanently and irrevocably stops or prevents the Merger.
- 5- If the parties agree in writing to terminate the Agreement.

#### **5.2.7 Other Agreements**

Except for the Non-binding MOU and the Merger Agreement, there are no other material agreements between the Companies in connection with the Merger.

#### **5.2.8 Legal Proceedings and Claims Against Medgulf**

As at 30 June 2025G, Medgulf is defendant in 333 cases relating to motor vehicle or medical insurance claims and one employment case, in the course of its business, in which plaintiffs seek approximately SAR 36 million. It should be noted that amounts are unspecified in some cases, meaning that the total amount is higher than indicated. Medgulf also has five material cases, as follows:

- An "Arsh" claim against the Company for SAR 2.2 million.
- A claim submitted by a former executive against the Company for SAR 2.3 million.
- A claim submitted by a service provider against the Company for SAR 8.3 million.
- A claim submitted by the Company against an insurance agency for SAR 21.8 million.
- A claim submitted by the Company against a company in the context of its bankruptcy for SAR 23.4 million, taking into consideration that Medgulf has written off the entire amount and accordingly there will be no financial impact arising from non-recovery of it.

In addition, the Company had a material dispute with a former Chief Executive Officer and an agreement was reached in January 2022 for a settlement in favour of the Company for SAR 59 million, which remains under execution.

Other than the foregoing, there is no case or claim (including any pending or threatened case) that could materially affect the business or financial position of Medgulf.

### 5.3 Legal Proceedings and Claims Against Buruj

As of 1 June 2025G:

- Buruj is defendant in 154 cases relating to insurance claims in which plaintiffs seek approximately SAR 5,524,504. Buruj also has two employment cases, with claims against Buruj totaling SAR 819,922. Buruj has a provision for legal cases amounting to SAR 813,763 as at 31 March 2025G.
- Buruj is a plaintiff in two cases, with respect to financial claims of SAR 124,156.68 and SAR 3,151,900, respectively, which were initially rejected by the Committee and have been appealed by Buruj. These amounts have not yet been written off and accordingly will constitute a loss if Buruj does not recover them.
- There are six court judgments issued in favor of Buruj that have not yet been executed by the relevant defendants, and the total value of these judgments amounts to SAR 1,187,251. These amounts represent amounts paid by the Company and which the Company is now awaiting recovery of which through execution.

Except as mentioned above, Buruj has confirmed that there are not legal proceedings or claims (including any existing or threatened proceedings) that could materially affect Buruj's business, subsidiaries or financial position. For more details on risks related to jurisdictional disputes, please refer to Section (1.4.2) ("**Risks related to Jurisdictional Disputes**").

### 5.4 Bankruptcy

There is no bankruptcy case for any of the members, proposed members, or Secretary of the Medgulf board, or Senior executive of Medgulf.

### 5.5 Insolvency

None of the members, proposed members or Secretary of the Medgulf board or of Medgulf's senior executives has been previously appointed by any insolvent company to a managerial or supervisory position during the past five years.



## 6. Experts Statements

The advisers and auditors, whose names are stated in Section ("Company's Directory") have given, as at the date of this Circular, their written consent to the publication of their names, addresses, logos and the statements that appear in this Circular (as applicable) and none of them has withdrawn this consent until date of this Circular. The Market Adviser has no shares or interest of any kind in Medgulf.

## 7. Expenses

The costs of Medgulf related to the Merger estimated at approximately twenty-nine million (SAR 29,000,000) Saudi Riyals (excluding VAT). These expenses include the fees of the Financial Adviser, the Legal Adviser, the financial, tax and zakat, and actuarial due diligence adviser and other advisers, in addition to the fees of governmental authorities, and expenses of marketing, printing and distribution and other costs related to the Merger. It should be noted that the amount of costs and expenses referred to above is an estimate, and does not include the costs related to merging the businesses of Medgulf and Buruj after the Effectiveness of the Merger Resolution or any other costs after the Effectiveness of the Merger Resolution.

## 8. Waivers

No application has been made for any waiver from the CMA.

## 9. Documentation available for inspection

Medgulf will provide copies of the following documents for review at its headquarters from 9:00 AM until 3:00 PM on Working Days, from the date of publication of this Circular until the date of the EGM (such period will not be less than (14) days):

- 1- Buruj's Bylaws
- 2- Non-Binding MoU.
- 3- Merger Agreement
- 4- Buruj's Audited Financials for the fiscal years ending on 31 December 2022G, 2023 and 2024G.
- 5- Medgulf's pro forma Financials for the fiscal year ending on 31 December 2024G.
- 6- Buruj's valuation report issued by the Financial Adviser.
- 7- Letters of consents from advisers and auditors for the use of their names, logos and statements (as applicable) in this Circular.





## Annex (1)

### Proposed Amendments to Medgulf's Bylaws

| Article                                 | Before Amendment                                                                                                                                                                                                                                                         | After Amendment                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Article (8): Share Capital              | The Company's share capital is One Billion and Fifty Million (1,050,000,000) Saudi Riyals, divided into One Hundred and Five Million (105,000,000) shares of equal value with a nominal value of Ten (10) Saudi Riyals per share, all of which are ordinary cash shares. | The Company's share capital is one billion three hundred eighty-one million, five hundred seventy-eight thousand, nine hundred forty (SAR 1,381,578,940) Saudi Riyals divided into one hundred thirty-eight million, one hundred fifty-seven thousand, eight hundred ninety-four (138,157,894) shares of equal value with a nominal value of Ten Saudi Riyals (SAR 10) per share, all of which are ordinary <del>cash</del> shares. |
| Article (15): Management of the Company | The Company shall be managed by a Board of Directors consisting of seven (7) members elected by the General Meeting [continued]                                                                                                                                          | The Company shall be managed by a Board of Directors consisting of <del>seven (7)</del> nine (9) members elected by the General Meeting [continued]                                                                                                                                                                                                                                                                                 |

## Appendix (2)

### Financial Adviser's Opinion Provided to Medgulf's Board of Directors



24 July 2025

The Board of Directors  
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MEDGULF)  
Al-Maather Street, Al-Futuro Tower, Al Murabba, King Saud Road, P.O. Box 2302, Riyadh 11451  
Kingdom of Saudi Arabia

Dear Sirs

Whereas the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company ("**Medgulf**" or the "**Offeror**") wishes to merge with Buruj Cooperative Insurance Company ("**Buruj**" or the "**Offeree**"), through executing a binding merger agreement between Medgulf and Buruj (the "**Merger Agreement**"), such that Buruj is merged into Medgulf, and Medgulf becomes, by operation of law, the legal successor to the assets and liabilities of Buruj, and the corporate existence of Buruj shall cease and all of its shares will be cancelled (the "**Transaction**" or the "**Merger**"), in return for Medgulf issuing a total of thirty-three million one hundred fifty-seven thousand eight hundred ninety-four (**33,157,894**) ordinary shares as consideration for Buruj's shareholders through the increase of Medgulf's share capital, with a value of ten (SAR 10) Saudi Riyals for each share (the "**Consideration Shares**") to Buruj's shareholders. Pursuant to the offer document to be issued by the Offeror in relation to the Transaction ("**Offer Document**") and the Merger Agreement, each share in the Offeree will be exchanged for **1.10526313333333x** shares in Medgulf (the "**Exchange Ratio**").

Pursuant to Article 18 of the Merger and Acquisition Regulations issued by the Capital Market Authority, we present this opinion as to whether HSBC Saudi Arabia ("**HSBC Saudi Arabia**") considers the Exchange Ratio as fair, from a financial point of view, to Medgulf in the Transaction.

We note that this letter does not include our opinion on, and our opinion does not in any manner address, the underlying business decision of Medgulf's Board of Directors (the "**Board**") to recommend or proceed with the Transaction from a commercial perspective. This letter does not include our opinion on whether the process of achieving the Transaction, including Medgulf's shareholders' approval of the Transaction, is fair or otherwise.

It is imperative to note that while certain provisions of the Transaction are summarized above, the terms of the Transaction are more fully described in the Merger Agreement. As a result, the description of the Transaction and certain other information contained herein is qualified in its entirety by reference to the Transaction documents. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Offer Document and the Shareholders Circular (which will both be published by Medgulf) and the Merger Agreement.

#### Scope of our review

In arriving at the opinion set out below, we have, among other things:

1. reviewed the Merger Agreement, the memorandum of understanding between Medgulf and Buruj dated 21/01/1446H (corresponding to 27/07/2024G) ("**Memorandum of Understanding**"), the draft Offer Document and the draft Shareholders Circular;
2. reviewed the audited financial statements of Medgulf and the Offeree for the financial years 2021 to 2024;
3. reviewed the interim financial statements of Medgulf and the Offeree for the three-month period ended 31 March 2025;

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HSBC Saudi Arabia  
7267, Olaya, Al Murooj Area, Riyadh 12283-2255  
Kingdom of Saudi Arabia  
Access 92005920  
Website: [www.hsbcSaudi.com](http://www.hsbcSaudi.com)

A Saudi closed joint stock company incorporated in Riyadh with limited liability, C.R. No. 1010221555, Capital SAR 500 Million (Fully Paid)  
Authorized and regulated by the Capital Market Authority, License No. 05008-37

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إتش إس بي سي العربية السعودية  
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المملكة العربية السعودية  
الرقم الموحد: 92005920  
الموقع الإلكتروني: [www.hsbcSaudi.com](http://www.hsbcSaudi.com)  
شركة مساهمة سعودية مغلقة تأسست في الرياض، س.ت. 101022155، رأس مال 500 مليون ريال سعودي (ممنوعة بالكامل)  
مرخص طبقاً لنظام ولوائح هيئة السوق المالية، رخصة رقم 05008-37



4. considered and discussed with Medgulf and Buruj's managements, as well as their joint advisor on post-merger integration and synergies, certain internal financial analyses and forecasts prepared by them relating to the business, earnings, cash flow, assets, liabilities, solvency and prospects of Medgulf and the Offeree;
5. reviewed the reported price and trading activity for ordinary shares of Medgulf and the Offeree from the date of the Memorandum of Understanding until 17 July 2025G, being the last practical date prior to the execution date of the Merger Agreement, and compared them with those of certain publicly traded companies that we deemed to be relevant;
6. compared the terms of the Transaction with those, to the extent publicly available, of certain comparable transactions that we deemed to be relevant;
7. reviewed, on a no-reliance basis, certain due diligence materials prepared by Medgulf's advisers on Buruj; and
8. reviewed such other financial studies and analyses, performed such other investigations, used certain valuation methods commonly used for these types of analyses and taken into account such other matters, as we deemed appropriate, including our assessment of current conditions and future prospects of the insurance sector and general economic, market and monetary conditions.

#### Assumptions and limitations

In forming our opinion:

1. we have relied upon and assumed the accuracy and completeness, without independent verification, of all of the data and information that was publicly available or was made available to us or was discussed with or reviewed by us (including the information set out above). Therefore, there is no confirmation or guarantee regarding the accuracy or completeness of any of these data and information, and HSBC Saudi Arabia does not bear any responsibility for the validity, accuracy, and completeness of the data and information provided to it, especially those data and information obtained from external sources without independent verification;
2. we have assumed that the financial forecasts furnished by the Offeror, the Offeree and their joint advisor on post-merger integration and synergies have been reasonably prepared on bases reflecting the best available estimates and judgements of the future financial performance of the Offeror and the Offeree by their senior management teams and their Boards of Directors and we have not independently verified these forecasts and we express no opinion on the fairness of such estimates, judgements or assumptions which have been relied upon, and the Offeror has confirmed that we can rely on these analyses, expectations, assumptions, and forecasts in preparing this opinion;
3. while we have used various assumptions, judgements and estimates in our inquiry, which we consider reasonable and appropriate under the circumstances, no assurances can be given as to the accuracy of any such assumptions, judgements and estimates. Such assumptions, judgements and estimates have been reviewed with Medgulf prior to the rendering of this opinion, without independent verification;
4. we have not made any independent evaluation or appraisal of the assets and liabilities of the Offeror and its subsidiaries/affiliates or the Offeree and its subsidiaries/affiliates and we have not evaluated the solvency or fair value of the Offeror or the Offeree under any laws relating to the bankruptcy, insolvency or similar matters;
5. we have not conducted any independent legal, tax, accounting or other analysis of the Offeror, the Offeree, or the Transaction and our opinion does not address any legal, tax, regulatory or accounting or actuarial matters,

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#### HSBC Saudi Arabia

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Website: [www.hsbcSaudi.com](http://www.hsbcSaudi.com)

A Saudi closed joint stock company incorporated in Riyadh with limited liability, C.R. No. 1010221555, Capital SAR 500 Million (Fully Paid)

Authorized and regulated by the Capital Market Authority, License No. 05008-37

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شركة مساهمة سعودية مغلقة تأسست في الرياض، س.ت. 101022155، رأس مال 500 مليون ريال سعودي (مدفوعة بالكامل)

مرخص طبقاً لنظام ولوائح هيئة السوق المالية، رخصة رقم 05008-37

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- or the contractual terms of the Offer Document, as to each of which we understand that the Offeror may have obtained such advice as it deemed necessary from other qualified professionals. We are financial advisors only and, when appropriate, we have relied solely, without independent verification, upon the assessment of the Offeror's legal, tax, accountants and other professional advisors who may have given such advice to the Offeror without knowledge or acceptance that it would be relied upon by us for the purpose of this opinion;
6. we have not performed any independent analysis of the situation of each shareholder of Medgulf individually, including with respect to taxation in relation to the Offer or the Transaction and express no opinion thereon;
  7. we have assumed that the Transaction will be consummated on the terms set forth in the Merger Agreement, the Offer Document and the Shareholders Circular and that the final versions will not change in any material respect from the draft versions we have reviewed for the purposes of this letter;
  8. we have assumed that all governmental, regulatory, shareholder or other approvals and consents necessary for the consummation of the Transaction will be obtained without any delays or limitations or conditions or restrictions that may have any adverse effect on the Offeror or the Offeree or on the expected benefits of the Transaction in any way meaningful to our analysis;
  9. we have also assumed that there has been no material change in the Offeror and/or the Offeree's assets, liabilities and financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us;
  10. we have also assumed that there are no other facts which, if omitted, would make any statement we have made misleading;
  11. we have not conducted any physical inspection of the properties or facilities of the Offeror or the Offeree;
  12. we have relied on the confirmations, representations, warranties and undertakings given by Medgulf as agreed between us in an engagement letter dated 09 June 2024 pursuant to which we have been appointed as the financial advisor in relation to this Transaction;
  13. we have assumed that the representations and warranties provided by Medgulf and Buruj in the Merger Agreement are true and accurate and are true and accurate in all respects concerning this opinion; and
  14. we have relied on the assurances of the management of Medgulf that they are not aware of any facts or circumstances that would make any information necessary for us to provide this opinion inaccurate or misleading and that the management have not omitted to provide us with any information which may be relevant to the delivery of this opinion and that all information which may be relevant to the delivery of this opinion will be disclosed in the Offer Documents or to us separately.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

We express no opinion with respect to the fairness of the amount or nature of the compensation to any of the Offeree's officers, directors or employees, or any class of such persons, relative to the consideration to be paid to the holders of the shares of the Offeree who accept the Offer.

## PUBLIC

**HSBC Saudi Arabia**  
7267, Olaya, Al Murooj Area, Riyadh 12283-2255  
Kingdom of Saudi Arabia  
Access 92005920  
Website: [www.hsbcSaudi.com](http://www.hsbcSaudi.com)

*A Saudi closed joint stock company incorporated in Riyadh with limited liability, C.R. No. 1010221555, Capital SAR 500 Million (Fully Paid)  
Authorized and regulated by the Capital Market Authority, License No. 05008-37*

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إتش إس بي سي العربية السعودية  
7267، العليا، حي المروج، الرياض 12283-2255  
المملكة العربية السعودية  
الرقم الموحد: 92005920  
الموقع الإلكتروني: [www.hsbcSaudi.com](http://www.hsbcSaudi.com)  
شركة مساهمة سعودية مقفلة تأسست في الرياض، س.ت. 1010221555، رأس مال 500 مليون ريال سعودي (مدفوعة بالكامل)  
مرخص طبقاً لنظام ولوائح هيئة السوق المالية، رخصة رقم 05008-37



We are expressing no opinion herein as to the price at which any securities of either the Offeror or the Offeree will trade at any time, including the prices at which the Offeror's securities will trade or transfer following consummation of the Transaction.

Our opinion, presented to Medgulf, and as set forth herein, is limited to the fairness, from a financial point of view, of the Exchange Ratio as of the date hereof and we do not express any opinion regarding any variations of, or modifications to, the Exchange Ratio made after the date hereof.

No opinion is expressed whether any alternative transaction might be more beneficial to Medgulf.

#### Relationship with HSBC Saudi Arabia

We have acted as financial adviser only to the Board in connection with the Offer and expect to receive a fee from Medgulf for our services, a significant portion of which is contingent upon completion of the Offer. In addition, Medgulf has agreed to indemnify us in relation to certain liabilities incurred within the scope of our engagement. HSBC Saudi Arabia and its affiliates have provided advisory, financing and other services to Medgulf and have received fees for the rendering of these services, and may continue to provide such services to Medgulf and receive fees in relation thereto. In the ordinary course of their businesses and subject to applicable laws, HSBC Saudi Arabia and its affiliates may at any time actively trade in the debt and equity securities of Medgulf and/or the Offeree, for their own accounts, or for the accounts of customers and, accordingly, may at any time hold a long or short position in such debt and securities.

#### Other limitations

This letter is confidential to, and addressed to and provided solely for the Board exclusively in connection with and for the purposes of its evaluation of the Transaction and must not be used, or disclosed in whole or in part, or referred to publicly, or be communicated to, or be relied upon by, any other person or used for any other purpose without our prior written consent. Notwithstanding the foregoing sentence, we confirm that the Board may disclose that this opinion has been obtained from us and that a copy of this opinion letter may be included in its entirety (subject to our prior consent/review of the relevant documentation) in any filing Medgulf is required to make with the Capital Market Authority and the Saudi Exchange, including in the Shareholders Circular to be issued by Medgulf, in connection with the Merger, if such inclusion is required by applicable law or regulation or expressly requested by any regulatory authority having jurisdiction over Medgulf.

HSBC Saudi Arabia will not be responsible to any person other than the Board for providing (i) this opinion; (ii) the protections afforded to clients of HSBC; or (iii) advice in connection with the matters referred to herein. HSBC Saudi Arabia nor any of its group undertakings or affiliates make no representations or warranties, express or implied, regarding Buruj and Medgulf (including post-Merger). Furthermore, neither HSBC Saudi Arabia nor any of its group undertakings or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of HSBC in connection with this opinion or any matter referred to herein. This letter shall not confer rights or remedies upon, and may not be used or relied on by, any holder of securities of Medgulf or by other person other than the Board.

Specifically, this opinion does not address the commercial merits of the Transaction nor the underlying decision by the shareholders of Medgulf or Buruj to vote in favour of the Transaction nor does it constitute a recommendation to Medgulf or any of its shareholders in respect of the Offer, the Transaction or any other matter.

The ultimate responsibility for the decision to recommend the Offer and the Transaction rests solely with the Board.

#### PUBLIC

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This opinion shall be governed by the laws of the Kingdom of Saudi Arabia.

#### Conclusion

Based upon, and subject to, the foregoing we are of the opinion that, as of the date of this letter, the Exchange Ratio is fair, from a financial point of view, to Medgulf and its shareholders.

Yours faithfully

HSBC Saudi Arabia



PUBLIC

#### HSBC Saudi Arabia

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Kingdom of Saudi Arabia

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شركة مساهمة سعودية مقفلة تأسست في الرياض، س.ت. 1010221555، رأسمال 500 مليون ريال سعودي (مدفوعة بالكامل)

مرخص طبقاً لنظام ولوائح هيئة السوق المالية، رخصة رقم 05008-37

## **Appendix (3)**

### **Buruj's Audited Annual Financials for the Last Three Years**

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# **BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**For the year ended 31 December 2022**

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**INDEPENDENT AUDITORS' REPORT**  
**To the Shareholders Of**  
**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**

**Opinion**

We have audited the financial statements of **Buruj Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022 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, including significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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. The key audit matters include:



## Independent Auditors' Report (Continued)

### Key Audit Matters (Continued)

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company as at December 31, 2022 has gross technical reserves amounting to SR 140.46 million as reported in Note 10 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs.</p> <p>The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates.</p> <p><i>Refer to notes 2 &amp; 5 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</i></p> | <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes.</li> <li>• Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence.</li> <li>• Performed substantive tests on the amounts recorded for sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</li> <li>• Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.</li> <li>• Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following:             <ol style="list-style-type: none"> <li>i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences;</li> <li>ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</li> <li>iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.</li> </ol> </li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul> |



## Independent Auditors' Report (Continued)

### Other information

Management is responsible for the other information. Other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance or 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 other information, 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 IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, 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 (ISAs), as 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 ISAs 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;





### Independent Auditors' Report (Continued)

#### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the managements' 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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**Abdullah M. Al Azem**  
Certified Public Accountant  
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El Sayed El Ayouty & Co.  
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P.O. Box 780  
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Kingdom of Saudi Arabia

**Abdullah Ahmed Balamesh**  
Certified Public Accountant  
License No. 345



Date: 15 March 2023  
corresponding to: 23 Shaban 1444H

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

|                                                              | Notes | 2022<br>SAR        | 2021<br>SAR        |
|--------------------------------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                                                |       |                    |                    |
| Cash and cash equivalents                                    | 6     | 254,910,052        | 237,886,895        |
| Time deposits                                                | 7     | 185,000,000        | 333,742,623        |
| Premiums and reinsurers' receivable, net                     | 9     | 85,177,647         | 39,887,814         |
| Reinsurers' share of unearned premiums                       | 10(b) | 12,935,386         | 12,536,185         |
| Reinsurers' share of outstanding claims                      | 10(a) | 16,099,413         | 10,362,152         |
| Reinsurers' share of claims incurred but not reported        | 10(a) | 2,059,565          | 4,587,389          |
| Deferred policy acquisition costs                            | 10(d) | 7,881,002          | 8,640,690          |
| Investments                                                  | 13    | 148,702,279        | 156,680,148        |
| Prepaid expenses and other assets                            | 8     | 42,458,590         | 42,846,385         |
| Right-of-use assets                                          | 16    | 1,334,056          | 5,701,429          |
| Property, equipment and intangible assets, net               | 12    | 3,539,910          | 4,129,551          |
| Investment in associate                                      | 14    | 1,134,571          | 597,960            |
| Statutory deposit                                            | 22    | 30,000,000         | 30,000,000         |
| Accrued income on statutory deposits                         | 22    | 2,582,066          | 2,353,079          |
| <b>TOTAL ASSETS</b>                                          |       | <b>793,814,537</b> | <b>889,952,300</b> |
| <b>LIABILITIES</b>                                           |       |                    |                    |
| Policyholders and accounts payables                          | 17    | 45,357,217         | 39,815,353         |
| Reinsurers' balances payable                                 |       | 14,995,195         | 10,408,950         |
| Accrued expenses and other liabilities                       | 18    | 22,557,827         | 23,470,413         |
| Lease liabilities                                            | 16    | 1,092,627          | 5,196,480          |
| Unearned premiums                                            | 10(b) | 134,444,830        | 181,232,083        |
| Unearned reinsurance commission                              | 10(c) | 2,024,836          | 1,758,780          |
| Outstanding claims                                           | 10(a) | 76,956,277         | 83,717,517         |
| Claims incurred but not reported                             | 10(a) | 41,364,069         | 27,395,774         |
| Premium deficiency reserve                                   | 10(a) | 17,502,915         | 26,312,790         |
| Other technical reserves                                     | 10(a) | 4,637,511          | 5,470,428          |
| End-of-service benefits                                      | 19    | 8,227,890          | 12,311,821         |
| Zakat payable                                                | 28    | 28,072,830         | 32,841,217         |
| Accrued income on statutory deposits                         | 22    | 2,582,066          | 2,353,079          |
| <b>TOTAL LIABILITIES</b>                                     |       | <b>399,816,088</b> | <b>452,284,685</b> |
| <b>INSURANCE OPERATIONS' SURPLUS</b>                         |       |                    |                    |
| Fair value reserve on available for sale investments         |       | (3,752,134)        | (3,705,910)        |
| Foreign currency translation adjustments                     |       | -                  | 21,649             |
| Accumulated actuarial loss on end-of-service benefits        |       | 2,971,159          | (1,069,338)        |
| <b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b> |       | <b>399,035,113</b> | <b>447,531,086</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                  |       |                    |                    |
| Share capital                                                | 23    | 300,000,000        | 300,000,000        |
| Statutory reserve                                            | 24    | 51,584,068         | 51,584,068         |
| Retained earnings                                            |       | 43,975,609         | 83,268,715         |
| Foreign currency translation adjustments                     |       | (350,885)          | 159,784            |
| Fair value reserve on available for sale investments         |       | (429,368)          | 7,408,647          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                            |       | <b>394,779,424</b> | <b>442,421,214</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |       | <b>793,814,537</b> | <b>889,952,300</b> |

  
Board Member

  
General Manager

  
Finance Manager

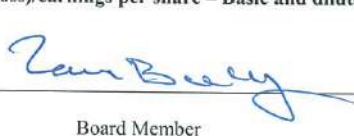
The accompanying notes 1 to 33 form an integral part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF INCOME**

For the year ended 31 December 2022

|                                                                     | Notes   | 2022<br>SAR          | 2021<br>SAR          |
|---------------------------------------------------------------------|---------|----------------------|----------------------|
| <b>REVENUES</b>                                                     |         |                      |                      |
| Gross written premiums                                              | 10(b)   | 368,839,351          | 290,711,903          |
| Reinsurance premiums ceded                                          |         | (38,506,784)         | (29,955,400)         |
| Excess of loss premiums                                             |         | (7,976,597)          | (7,044,566)          |
| <b>Net premiums written</b>                                         |         | <b>322,355,970</b>   | <b>253,711,937</b>   |
| Changes in unearned premiums, net                                   |         | 47,186,454           | (91,969,157)         |
| <b>Net premiums earned</b>                                          | 10(b)   | <b>369,542,424</b>   | <b>161,742,780</b>   |
| Reinsurance commissions earned                                      | 10(c)   | 6,256,912            | 7,511,425            |
| Policy fees                                                         |         | 276,634              | 248,876              |
| Other underwriting income                                           |         | 22,139,130           | 2,469,940            |
| <b>TOTAL REVENUES</b>                                               |         | <b>398,215,100</b>   | <b>171,973,021</b>   |
| <b>UNDERWRITING COSTS</b>                                           |         |                      |                      |
| Gross claims paid                                                   |         | (342,938,008)        | (126,527,044)        |
| Reinsurers' share of claims paid                                    |         | 6,555,489            | 7,289,040            |
| <b>Net claims paid</b>                                              |         | <b>(336,382,519)</b> | <b>(119,238,004)</b> |
| Changes in outstanding claims, net                                  |         | 12,498,501           | 14,520,125           |
| Changes in claims incurred but not reported, net                    |         | (16,496,119)         | 10,361,462           |
| <b>Net claims incurred</b>                                          |         | <b>(340,380,137)</b> | <b>(94,356,417)</b>  |
| Changes in premium deficiency reserve                               |         | 8,809,875            | (2,559,454)          |
| Changes in other technical reserves                                 |         | 832,917              | 331,843              |
| Policy acquisition costs                                            | 10(d)   | (21,735,942)         | (11,065,797)         |
| Inspection and supervision fees                                     |         | (2,581,536)          | (2,239,029)          |
| Third party administrator fees                                      |         | (4,659,775)          | (2,117,723)          |
| Other underwriting expenses                                         |         | (30,351,079)         | (13,242,812)         |
| <b>TOTAL UNDERWRITING COSTS</b>                                     |         | <b>(390,065,677)</b> | <b>(125,249,389)</b> |
| <b>NET UNDERWRITING SURPLUS</b>                                     |         | <b>8,149,423</b>     | <b>46,723,632</b>    |
| <b>OTHER OPERATING (EXPENSES)</b>                                   |         |                      |                      |
| (Allowance) / reversal of doubtful debts provision                  | 9(b)    | (2,622,584)          | 606,160              |
| General and administrative expenses                                 | 20      | (66,303,097)         | (71,294,035)         |
| Investment income                                                   | 13(iii) | 26,622,348           | 40,815,269           |
| Impairment of available for sale investments                        | 13(ii)  | (1,031,278)          | (1,218,783)          |
| Share of profit/(loss) of associate                                 | 14      | 536,611              | (102,658)            |
| Other income                                                        |         | 2,005,745            | 240,555              |
| <b>TOTAL OTHER OPERATING EXPENSES, NET</b>                          |         | <b>(40,792,255)</b>  | <b>(30,953,492)</b>  |
| <b>Total (loss)/income before surplus attribution and zakat</b>     |         | <b>(32,642,832)</b>  | <b>15,770,140</b>    |
| <b>Surplus attributed to the insurance operations</b>               |         | <b>-</b>             | <b>-</b>             |
| <b>(Loss)/income attributed to the shareholders before zakat</b>    |         | <b>(32,642,832)</b>  | <b>15,770,140</b>    |
| <b>Zakat charge</b>                                                 | 28      | <b>(6,650,274)</b>   | <b>(11,456,333)</b>  |
| <b>Net (loss)/income attributed to the shareholders after zakat</b> |         | <b>(39,293,106)</b>  | <b>4,313,807</b>     |
| <b>(Loss)/earnings per share – Basic and diluted</b>                | 25      | <b>(1.31)</b>        | <b>0.14</b>          |

  
 Board Member

  
 General Manager

  
 Finance Manager

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



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

|                                                                                        |        | <b>2022</b><br><b>SAR</b> | <b>2021</b><br><b>SAR</b> |
|----------------------------------------------------------------------------------------|--------|---------------------------|---------------------------|
| <b>Net (loss)/income after zakat</b>                                                   | Notes  | <b>(39,293,106)</b>       | <b>4,313,807</b>          |
| <b>Other comprehensive (loss)/income</b>                                               |        |                           |                           |
| <b>Items that will be reclassified to statements of income in subsequent years</b>     |        |                           |                           |
| Available for sale investments:                                                        |        |                           |                           |
| - Net amounts transferred to statement of income                                       | 13(ii) | <b>(2,064,469)</b>        | <b>(21,085,955)</b>       |
| - Foreign currency translation adjustments                                             |        | <b>(532,318)</b>          | <b>(27,296)</b>           |
| - Net change in fair value for available for sale investment                           |        | <b>(5,819,770)</b>        | <b>11,095,295</b>         |
|                                                                                        |        | <b>(8,416,557)</b>        | <b>(10,017,956)</b>       |
| <b>Items that will not be reclassified to statements of income in subsequent years</b> |        |                           |                           |
| Actuarial gain on end-of- service benefits                                             | 19     | <b>4,040,497</b>          | <b>1,648,694</b>          |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>                                           |        | <b>(43,669,166)</b>       | <b>(4,055,455)</b>        |
| <b>Total comprehensive (loss)/ income attributed to the insurance operations</b>       |        | <b>(3,972,624)</b>        | <b>1,957,842</b>          |
| <b>Total comprehensive loss attributable to the shareholders</b>                       |        | <b>(47,641,790)</b>       | <b>(2,097,613)</b>        |

  
 Board Member

  
 General Manager

  
 Finance Manager

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



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 December 2022

|                                                              | Share<br>Capital<br>SAR | Statutory<br>Reserve<br>SAR | Retained<br>earnings<br>SAR | Foreign<br>currency<br>translation<br>adjustments<br>SAR | Fair value<br>reserve on<br>available for<br>sale<br>investments<br>SAR | Total<br>SAR       |
|--------------------------------------------------------------|-------------------------|-----------------------------|-----------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|--------------------|
| <b>2022</b>                                                  |                         |                             |                             |                                                          |                                                                         |                    |
| Balance as at 1 January 2022                                 | 300,000,000             | 51,584,068                  | 83,268,715                  | 159,784                                                  | 7,408,647                                                               | 442,421,214        |
| Net loss attributable to shareholders after zakat            | -                       | -                           | (39,293,106)                | -                                                        | -                                                                       | (39,293,106)       |
| Foreign currency translation adjustments                     | -                       | -                           | -                           | (510,669)                                                | -                                                                       | (510,669)          |
| Changes in fair value of available for sale investments      | -                       | -                           | -                           | -                                                        | (7,838,015)                                                             | (7,838,015)        |
| <b>Total comprehensive loss attributable to shareholders</b> | -                       | -                           | (39,293,106)                | (510,669)                                                | (7,838,015)                                                             | (47,641,790)       |
| <b>Balance As at 31 December 2022</b>                        | <b>300,000,000</b>      | <b>51,584,068</b>           | <b>43,975,609</b>           | <b>(350,885)</b>                                         | <b>(429,368)</b>                                                        | <b>394,779,424</b> |

|                                                              | Share<br>Capital<br>SAR | Statutory<br>Reserve<br>SAR | Retained<br>earnings<br>SAR | Foreign<br>currency<br>translation<br>adjustments<br>SAR | Fair value<br>reserve on<br>available for<br>sale<br>investments<br>SAR | Total<br>SAR       |
|--------------------------------------------------------------|-------------------------|-----------------------------|-----------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|--------------------|
| <b>2021</b>                                                  |                         |                             |                             |                                                          |                                                                         |                    |
| Balance as at 1 January 2021                                 | 300,000,000             | 50,721,307                  | 79,817,669                  | 208,729                                                  | 13,771,122                                                              | 444,518,827        |
| Net income attributable to shareholders after zakat          | -                       | -                           | 4,313,807                   | -                                                        | -                                                                       | 4,313,807          |
| Foreign currency translation adjustments                     | -                       | -                           | -                           | (48,945)                                                 | -                                                                       | (48,945)           |
| Changes in fair value of available for sale investments      | -                       | -                           | -                           | -                                                        | (6,362,475)                                                             | (6,362,475)        |
| <b>Total comprehensive loss attributable to shareholders</b> | -                       | -                           | 4,313,807                   | (48,945)                                                 | (6,362,475)                                                             | (2,097,613)        |
| Transfer to statutory reserve                                | -                       | 862,761                     | (862,761)                   | -                                                        | -                                                                       | -                  |
| <b>Balance as at 31 December 2021</b>                        | <b>300,000,000</b>      | <b>51,584,068</b>           | <b>83,268,715</b>           | <b>159,784</b>                                           | <b>7,408,647</b>                                                        | <b>442,421,214</b> |

  
 Board Member

  
 General Manager

  
 Finance Manager

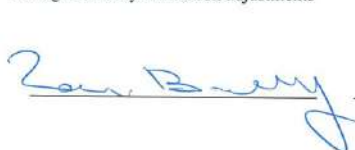
The accompanying notes 1 to 33 form an integral part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

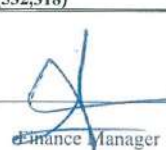
**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

|                                                                     | Notes  | 2022<br>SAR          | 2021<br>SAR        |
|---------------------------------------------------------------------|--------|----------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |        |                      |                    |
| Net (loss)/income before surplus attribution and zakat              |        | (32,642,832)         | 15,770,140         |
| <i>Adjustments for non-cash items:</i>                              |        |                      |                    |
| Depreciation of property, equipment and intangible assets           | 12     | 1,546,077            | 1,459,936          |
| Allowances/(reversal) of doubtful debts provision                   | 9(b)   | 2,622,584            | (606,160)          |
| Provision for end-of-service benefits                               | 19     | 2,588,798            | 2,605,344          |
| Realized gain from investments                                      |        | (2,064,469)          | (21,085,955)       |
| Impairment of available for sale investment                         | 13(ii) | 1,031,278            | 1,218,783          |
| Share of (profit) /loss of associate                                | 14     | (536,611)            | 102,658            |
| Loss/(gain) on disposal of property and equipment                   |        | 418,823              | (121,968)          |
| Depreciation of Right-of-use assets                                 | 16     | 1,230,319            | 1,608,617          |
| Interest expense on lease liabilities                               | 16     | 29,459               | 115,453            |
| <i>Changes in operating assets and liabilities:</i>                 |        |                      |                    |
| Premiums and reinsurers' receivable                                 |        | (47,912,417)         | (3,014,357)        |
| Reinsurers' share of unearned premiums                              |        | (399,201)            | 2,713,947          |
| Reinsurers' share of outstanding claims                             |        | (5,737,261)          | 24,506,721         |
| Reinsurers' share of claims incurred but not reported               |        | 2,527,824            | 1,207,201          |
| Deferred policy acquisition costs                                   |        | 759,688              | (4,906,839)        |
| Prepaid expenses and other assets                                   |        | 387,795              | (17,830,549)       |
| Right-of-use assets                                                 |        | -                    | (2,740,619)        |
| Policyholders and accounts payables                                 |        | 5,541,864            | 12,935,669         |
| Reinsurers' balances payable                                        |        | 4,586,245            | (2,148,467)        |
| Accrued expenses and other liabilities                              |        | (912,588)            | 8,766,019          |
| Unearned premiums                                                   |        | (46,787,253)         | 89,255,210         |
| Unearned reinsurance commission                                     |        | 266,056              | 151,835            |
| Outstanding claims                                                  |        | (6,761,240)          | (39,026,846)       |
| Claims incurred but not reported                                    |        | 13,968,295           | (11,568,663)       |
| Premium deficiency reserve                                          |        | (8,809,875)          | 2,559,454          |
| Other technical reserves                                            |        | (832,917)            | (331,843)          |
| End-of-service benefits paid                                        |        | (115,891,559)        | 61,594,721         |
| Insurance surplus paid                                              | 19     | (2,632,232)          | (4,657,186)        |
| Zakat paid                                                          | 28     | -                    | (1,714,863)        |
| <b>Net cash (used in) /generated from operating activities</b>      |        | <b>(129,942,452)</b> | <b>46,459,719</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |        |                      |                    |
| Disposals / (Additions) in time deposits                            |        | 148,742,623          | (44,934,565)       |
| Additions in investments                                            | 13(ii) | (73,412,418)         | (70,305,124)       |
| Proceeds from available for sale investments                        | 13(ii) | 74,006,921           | 175,915,645        |
| Additions in property, equipment and intangible assets              | 12     | (1,422,069)          | (2,000,125)        |
| Proceeds from disposal of property, equipment and intangible assets |        | 46,810               | 249,957            |
| <b>Net cash generated from investing activities</b>                 |        | <b>147,961,867</b>   | <b>58,925,788</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |        |                      |                    |
| Lease liabilities                                                   |        | (996,258)            | 609,455            |
| <b>Net cash (used in)/generated from in financing activities</b>    |        | <b>(996,258)</b>     | <b>609,455</b>     |
| Net change in cash and cash equivalents                             |        | 17,023,157           | 105,994,962        |
| Cash and cash equivalents, beginning of the year                    |        | 237,886,895          | 131,891,933        |
| <b>Cash and cash equivalents, end of the year</b>                   | 6      | <b>254,910,052</b>   | <b>237,886,895</b> |
| <i>Non-cash transactions:</i>                                       |        |                      |                    |
| Change in fair value of available for sale investments              |        | (7,884,239)          | (9,990,660)        |
| Foreign currency translation adjustments                            |        | (532,318)            | (27,296)           |



General Manager



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

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 1. GENERAL

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Authority ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

#### 2. BASIS OF PREPARATION

##### (a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Chartered & Professional Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments, investment in associates which is accounted for under the equity method and employees' end of service benefits at present value.

The statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in Note 31 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA 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, statement of comprehensive income and statement of 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.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Basis of presentation and measurement (continued)**

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

**(b) Functional and presentational currency**

The functional and presentation currency of the Company is Saudi Arabian Riyals.

**(c) Fiscal year**

The Company follows a fiscal year ending December 31.

**(d) Critical accounting judgments, estimates and assumptions**

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analysing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**2. BASIS OF PREPARATION (CONTINUED)**

**(d) Critical accounting judgments, estimates and assumptions (continued)**

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

**3. NEW STANDARDS AND AMENDMENTS ISSUED**

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

**Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

**Amendments to References to the Conceptual Framework in IFRS Standards**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

- **Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January 1, 2022**
- **Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)**
- **Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**



## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED

##### IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”).

##### Initial and subsequent measurement

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 Liability for Incurred Claims (“LIC”), comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

There are no investment components within insurance contracts issued by the company.

##### 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 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. The company however did discount the LIC for the time value of money given the long tail nature of the settlement of the incurred claims as a portion of the LIC is expected to be carried over beyond 12 months.

##### Insurance acquisition costs

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

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

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

##### Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance revenue is adjusted to allow for policyholders’ default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

##### 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.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 17 – Insurance Contracts (CONTINUED)**

Onerous contract

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Group of contracts are determined by first identifying portfolios of contracts, each comprising groups of contracts with similar risks which are managed together. Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolio is further divided based on expected profitability at inception into three categories.

- Group of contracts that are onerous on initial recognition
- Group of contracts that, on initial recognition have no significant possibility of becoming onerous, and
- Group of remaining contracts

Disclosures

The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is decrease in the Company's total equity of SAR34.7m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

The estimated range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cash flows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date.

Impact on Equity

| <b>Drivers of Changes in Equity</b>                                      | <b>Impact on equity on transition to IFRS 17 on Jan 1, 2022</b> |
|--------------------------------------------------------------------------|-----------------------------------------------------------------|
| Risk adjustments, net                                                    | (4,141,650)                                                     |
| Loss component, net of contribution deficiency reserve                   | (31,581,977)                                                    |
| Discounting on liability for incurred claims ('LIC'), net of Reinsurance | 1,916,835                                                       |
| Others                                                                   | (864,720)                                                       |
| <b>Total Impact</b>                                                      | <b>(34,671,512)</b>                                             |

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 17 – Insurance Contracts (CONTINUED)**

Impact on Liabilities and Assets

| <b>Impact on Liabilities</b>                             | <b>Impact on equity on transition to IFRS 17 on Jan 1, 2022</b> |
|----------------------------------------------------------|-----------------------------------------------------------------|
| Risk adjustment on liability for incurred claims ('LIC') | 4,583,687                                                       |
| Discounting of LIC                                       | (2,304,997)                                                     |
| Loss component, net of contribution deficiency reserve   | 31,581,977                                                      |
| <b>Total Impact on Liabilities</b>                       | <b>33,860,667</b>                                               |

| <b>Impact on Assets</b>                                            | <b>Impact on equity on transition to IFRS 17 on Jan 1, 2022</b> |
|--------------------------------------------------------------------|-----------------------------------------------------------------|
| Risk adjustment on amounts recoverable for incurred claims ('AIC') | 442,037                                                         |
| Discounting of AIC                                                 | (388,162)                                                       |
| Deferred insurance acquisition cost - reclassification             | 1,431,481                                                       |
| Premium receivable - reclassification                              | (5,532,651)                                                     |
| RI receivable - reclassification                                   | 3,237,735                                                       |
| Others                                                             | (1,285)                                                         |
| <b>Total Impact on Assets</b>                                      | <b>(810,845)</b>                                                |

The above numbers are based on the dry runs which have been audited by the external auditors and independent actuarial team of the auditor. However, the standard is still not officially effective and there are still many uncertainties relating to above transition impact. Following are the key uncertainties but may not be the complete list:

- 1) data reconciliation and integrations;
- 2) System implementations
- 3) Further audit and reviews;
- 4) Actuarial assumptions
- 5) Market assumptions
- 6) Industrial pools and related data limitations
- 7) Bulk receipt matching assumptions etc.



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**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 9 – Financial Instruments**

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

**a) Classification and measurement:**

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- ii. 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”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and
- ii. the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

**b) Impairment:**

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

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**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 9 – Financial Instruments**

**c) Hedge accounting:**

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “fair value macro hedges”). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

**Effective date**

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
  - a. the effective date of a new insurance contract standard; or
  - b. annual reporting periods beginning on or after January 1, 2021 which was then deferred to January 1, 2022. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2020 which included below:

- (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

**Impact assessment:**

**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. Consequently, the company will apply IFRS 9 for the first time on 1 January 2023.

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For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**Structure and status of the Implementation project**

The company has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by a steering committee. The preparation for IFRS 9 has required some changes to the company's reporting systems. The company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

**Significant Judgements and Accounting Policy Choices**

**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).

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

**Classification and subsequent measurement of financial assets**

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

- a. Available for Sale;
- b. Held at amortised cost.

Investment in the equity shares and mutual funds are classified as AFS, Investments in sukuk, time deposits, balances with banks, statutory deposits and Premium and reinsurance receivables are classified as held at amortized cost. Currently, there is no debt instrument which has been classified as FVOCI or FVTPL by the Company.

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

***Debt instruments***

Classification and subsequent measurement of debt instruments depend on:

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

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 9 – Financial Instruments**

The Company expects that majority of the term-deposits to be classified as financial assets at amortized cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. Further details of the specific IFRS 9 accounting policies applied in the current year are described in more detail in below:

| S.no | Particulars                    | IAS 39                   | IFRS 9                                     |
|------|--------------------------------|--------------------------|--------------------------------------------|
|      |                                | Measurement category     | Measurement category                       |
|      | <b>Financial Assets</b>        |                          |                                            |
| 1    | Cash and cash equivalents      | Amortized cost           | Amortized cost                             |
| 2    | Time Deposits                  | Amortized cost           | Amortized cost                             |
| 3    | Mutual Funds                   | Available for sale (AFS) | Fair Value through profit and loss (FVTPL) |
| 4    | Quoted equity shares           | AFS                      | Fair Value through profit and loss (FVTPL) |
| 5    | Un-Quoted Local equity shares  | AFS                      | FVTPL/FVOCI                                |
| 6    | Quoted Fixed Income Securities | AFS                      | Fair Value through profit and loss (FVTPL) |
| 7    | Sukuks                         | Held to Maturity (HTM)   | Amortized cost                             |
| 8    | Statutory Deposit              | Amortized cost           | Amortized cost                             |

**Business model assessment**

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

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

**Solely payments of principal and profit:**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

##### IFRS 9 – Financial Instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 10. Profit income from these financial assets is included in 'Income from deposits and Income from Sukuks' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Income from deposits and Income from Sukuks' using the effective profit method. Currently the company has measure it AFS financial asset as FVOCI.
- Fair value through statement of income (FVTPL): Assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

##### Equity instruments

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

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently, all equity securities are designated through FVOCI as at 31 December 2022.

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

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

##### IFRS 9 – Financial Instruments

###### Financial assets – Impairment

###### Overview of Expected Credit Loss ('ECL') principles

The company will recognize 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

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortized cost, Premium and reinsurance receivables as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers to the insurer significant insurance rather than financial risk, and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The Company assesses, at each reporting date, whether there is objective evidence that Premium and reinsurance receivables are impaired. Evidence of impairment may include; significant financial difficulty of the issuer or debtor, a breach of contract, such as a default or delinquency in payments, it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, or observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

No impairment loss will be recognized on equity instruments. 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 will measure 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 will consider 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 typically determined by using a matrix which uses historical credit loss experience of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 9 – Financial Instruments**

**Staging of financial assets**

**Investments**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- a- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- b- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- c- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- d- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- e- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

**Significant increase in credit risk**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

**Quantitative criteria:**

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

**Qualitative criteria:**

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;

- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

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

**Credit impaired financial asset**

At each reporting date, the company will assess 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.

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

##### IFRS 9 – Financial Instruments

###### ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

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

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

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

###### Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

###### Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

###### Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

###### Forward looking estimate

While estimating the ECL, the company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group will analyze the relationship between key economic trends with the estimate of PD.

###### Presentation of allowance for ECL in the Balance sheet

Loss allowances for ECL are presented in the Balance sheet 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 Balance sheet 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. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

##### Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities at fair value through statement of income (FVTPL): this classification is applied to financial liabilities at FVTPL at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.



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**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)**

**IFRS 9 – Financial Instruments**  
**Transition**

The Company estimates that, on adoption of IFRS 9, the impact of these changes (before tax) is a decrease in the Company's total equity of SAR2.45 m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

| Adjustments due to adoption of IFRS 9                                      | 01-Jan-22          |
|----------------------------------------------------------------------------|--------------------|
| Classification of financial assets                                         |                    |
| Fair value reserves transferred to P&L (PH & SH)                           | 3,702,737          |
| ECL Impairment effect on Cash & Cash Equivalent – Retained Earnings Impact | (680,662)          |
| ECL Impairment effect on Time Deposit – Retained Earnings Impact           | (1,744,628)        |
| ECL Impairment effect on Sukuk – Retained Earnings Impact                  | (19,839)           |
| ECL Impairment effect on Statutory Deposit – Retained Earnings Impact      | (31,33)            |
| <b>Total Impact on Retained Earnings as 1/1/2022</b>                       | <b>1,254,475</b>   |
| <b>Total Impact on Equity as 1/1/2022</b>                                  | <b>(2,448,262)</b> |

Summary of the classification and measurement assessment at date of reporting as of 31 December 2021 is as follow:

| S.no | Particulars                                    | IAS 39                   |                    | IFRS 9                                                 |                    |
|------|------------------------------------------------|--------------------------|--------------------|--------------------------------------------------------|--------------------|
|      |                                                | Measurement category     | Carrying amount    | Measurement category                                   | Carrying amount    |
|      | <b>Financial Assets</b>                        |                          | <b>SAR</b>         |                                                        | <b>SAR</b>         |
| 1    | Cash and cash equivalents                      | Amortized cost           | 237,886,895        | Amortized cost                                         | 237,206,233        |
| 2    | Time Deposits                                  | Amortized cost           | 333,742,623        | Amortized cost                                         | 331,997,996        |
| 3    | Mutual Funds                                   | Available for sale (AFS) | 65,827,812         | Fair Value through profit and loss (FVTPL) (Mandatory) | 65,827,812         |
| 4    | Quoted equity shares                           | AFS                      | 12,702,270         | Fair Value through profit and loss (FVTPL) (Mandatory) | 12,702,270         |
| 5    | Un-Quoted Local equity shares                  | AFS                      | 1,923,078          | FVTPL                                                  | 1,923,078          |
| 6    | Quoted Fixed Income Securities                 | AFS                      | 71,226,988         | Fair Value through profit and loss (FVTPL) (Mandatory) | 71,226,988         |
| 7    | Sukuks                                         | Held to Maturity (HTM)   | 5,000,000          | Amortized cost                                         | 4,980,161          |
| 8    | Statutory Deposit                              | Amortized cost           | 30,000,000         | Amortized cost                                         | 29,996,869         |
|      | <b>Total financial assets</b>                  |                          | <b>758,309,666</b> |                                                        | <b>754,592,871</b> |
|      | <b>Non - Financial Assets</b>                  |                          |                    |                                                        |                    |
| 1    | Premium receivable                             | Not applicable           | 48,151,240         | Not applicable                                         | 31,433,879         |
| 2    | Reinsurance receivables                        | Not applicable           | 6,234,566          | Not applicable                                         | 6,224,784          |
| 3    | Reinsurers' share of outstanding claims / IBNR | Not applicable           | 14,949,541         | Not applicable                                         | 14,883,786         |
|      | <b>Total Non-financial assets</b>              |                          | <b>69,335,347</b>  |                                                        | <b>52,542,449</b>  |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED  
(CONTINUED)**

**IFRS 9 – Financial Instruments**

**Overall Impact on Equity due to Transition to IFRS17 and IFRS9**

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes (before tax) is a reduction in the Company's total equity of 37.12m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

| <b>Transition To</b> | <b>Change in Equity @ 1<br/>January 2022</b> |
|----------------------|----------------------------------------------|
| IFRS17               | (34,671,512)                                 |
| IFRS9                | (2,448,262)                                  |
| <b>Total Impact</b>  | <b>(37,119,774)</b>                          |

The above change in equity will affect the solvency ratio of the Company which will be estimated and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

##### **Product classification**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

##### **Premiums earned and commission income**

Premiums are taken into income and recorded in the statement of income, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months from the period in respect of marine cargo;
- Actual number of days for other lines of business and
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

##### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

##### **Premiums and reinsurance balances receivable**

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following year is included in the statement of income.

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Claims***

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of income, in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided. The Company also relies primarily on the IBNR reserves as ultimately set out by the Company's actuary.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement income for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date

***Fair value measurement***

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 15. 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 to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as set out above. The Company's management determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

The investment committee compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

***End-of-service benefit obligation***

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

Re-measurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to equity through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service cost are recognised in statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Interest expense or income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Interest expense or income

***Unearned commission income***

Commission income on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income.

***Deferred policy acquisition costs***

Commissions paid are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine and engineering, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Reinsurance*

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of income.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

##### *Property and equipment*

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of income operations on a straight-line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any impairment when events 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. Expenditure for repairs and maintenance is charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

##### *Right of use assets and lease liabilities*

The Company has recognised new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

- i. Right-of-use assets are measured at cost comprising the following:
  - the amount of the initial measurement of lease liability
  - any lease payments made at or before the commencement date less any lease incentives received
  - any initial direct costs, and restoration costs.
- ii. Lease liabilities include the net present value of the following lease payments:
  - Fixed payments (including in- substance fixed payments), less any lease incentives receivable
  - Variable lease payments that are based on an index or a rate
  - Amounts expected to be payable by the lessee under residual value guarantees
  - The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Accounts payable and accruals***

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

***Provisions***

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

***Special commission income***

Special commission income is recognised on an effective yield basis.

***Statutory deposit***

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

***Cash and cash equivalents***

Cash and cash equivalents comprise of cash in hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

***Statutory reserve***

In accordance with its by-laws, the Company allocates 20% of its net income of each year to the statutory reserve until it has built up a reserve equal to the share capital.

***Foreign currencies***

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of income.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

***Trade date accounting***

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

***Impairment and un-collectability of financial assets***

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

## BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Segmental reporting*

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief executive officer who the chief is operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care cover to policyholders.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Others which include Engineering products and General Accident and liability which provides coverage against unfortunate events with respect to activities undertaken during construction projects, accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.

Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

##### *Investments*

All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

##### *Available for sale investments ("AFS")*

Available for sale investments include equity, debt securities and investment funds. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under fair value reserve gain/ (loss) on available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of income.



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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Investments***

***Held to maturity investments ("HTM")***

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of income. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

***Investment in associates***

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of an investee entity. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements of the Company include the Company's share of the profit or loss and other comprehensive income, until the date on which significant influence ceases. Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. The reporting dates of the associate are identical to the Company's reporting dates and their accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**6. CASH AND CASH EQUIVALENTS**

|                                                                | 2022                           |                                    | 2021                           |                                    |
|----------------------------------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                                                | Insurance<br>operations<br>SAR | Shareholders'<br>operations<br>SAR | Insurance<br>operations<br>SAR | Shareholders'<br>operations<br>SAR |
| Bank balances and cash                                         | 199,115,005                    | 35,093,550                         | 170,713,065                    | 66,232,040                         |
| Deposits maturing within 3 months<br>from the acquisition date | -                              | 20,701,497                         | 941,790                        | -                                  |
|                                                                | <b>199,115,005</b>             | <b>55,795,047</b>                  | <b>171,654,855</b>             | <b>66,232,040</b>                  |

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission income at an average rate of 5.6% per annum (2021: 1.7% per annum).

Both bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

**7. TIME DEPOSITS**

Time deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 5.65% per annum (2021: 4.09% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

**8. PREPAID EXPENSES AND OTHER ASSETS**

|                                         | 2022                           |                                    | 2021                           |                                    |
|-----------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                         | Insurance<br>operations<br>SAR | Shareholders'<br>operations<br>SAR | Insurance<br>operations<br>SAR | Shareholders'<br>operations<br>SAR |
| Accrued commission income               | 3,745,171                      | 5,031,367                          | 3,613,161                      | 3,539,470                          |
| Insurance syndicate receivable          | 11,474,749                     | -                                  | 7,088,387                      | -                                  |
| Deferred third party administrator fees | 1,074,942                      | -                                  | 2,370,766                      | -                                  |
| Advances paid to suppliers              | 1,132,479                      | -                                  | 1,659,604                      | -                                  |
| Prepaid rent                            | 319,722                        | -                                  | 367,506                        | -                                  |
| Others                                  | 19,584,017                     | 96,143                             | 23,600,346                     | 607,145                            |
|                                         | <b>37,331,080</b>              | <b>5,127,510</b>                   | <b>38,699,770</b>              | <b>4,146,615</b>                   |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**9. PREMIUMS AND REINSURERS' RECEIVABLE, NET**

(a) Premiums and reinsurers' receivables comprised of the following:

|                                                | 2022<br>SAR       | 2021<br>SAR       |
|------------------------------------------------|-------------------|-------------------|
| Premiums receivable                            | 91,995,286        | 48,151,240        |
| Less: Allowance for doubtful debts             | (15,444,636)      | (11,184,720)      |
|                                                | <u>76,550,650</u> | <u>36,966,520</u> |
| Reinsurers' receivable                         | 10,302,937        | 6,234,566         |
| Less: Allowance for doubtful debts             | (1,675,940)       | (3,313,272)       |
|                                                | <u>8,626,997</u>  | <u>2,921,294</u>  |
| Total premiums and reinsurers' receivable, net | <u>85,177,647</u> | <u>39,887,814</u> |

(b) The movement in allowance for doubtful policyholders' and reinsurance balances for the year is set out below:

|                                | Policyholders<br>SAR | Reinsurers'<br>SAR | Total<br>SAR      |
|--------------------------------|----------------------|--------------------|-------------------|
| <b>2022</b>                    |                      |                    |                   |
| Beginning balance              | 11,184,720           | 3,313,272          | 14,497,992        |
| (Reversal)/Charge for the year | 4,259,916            | (1,637,332)        | 2,622,584         |
| Closing balance                | <u>15,444,636</u>    | <u>1,675,940</u>   | <u>17,120,576</u> |
| <b>2021</b>                    |                      |                    |                   |
| Beginning balance              | 14,059,921           | 1,044,231          | 15,104,152        |
| Charge/(Reversal) for the year | (2,875,201)          | 2,269,041          | (606,160)         |
| Closing balance                | <u>11,184,720</u>    | <u>3,313,272</u>   | <u>14,497,992</u> |

(c) As at 31 December, the ageing of receivables is as follows:

|                | Total<br>SAR     | Neither past due<br>nor impaired<br>SAR | <i>Past due but not impaired</i> |                           |                              |
|----------------|------------------|-----------------------------------------|----------------------------------|---------------------------|------------------------------|
|                |                  |                                         | 91 to 180<br>days<br>SAR         | 181 to 365<br>Days<br>SAR | More than 365<br>days<br>SAR |
| <b>2022</b>    |                  |                                         |                                  |                           |                              |
| Policyholders' | 76,550,650       | 46,393,516                              | 15,707,457                       | 14,449,677                | -                            |
| Reinsurers     | <u>8,626,997</u> | <u>2,508,043</u>                        | <u>1,414,960</u>                 | <u>4,508,304</u>          | <u>195,690</u>               |
| <b>2021</b>    |                  |                                         |                                  |                           |                              |
| Policyholders' | 36,966,520       | 24,441,317                              | 5,359,832                        | 7,165,371                 | -                            |
| Reinsurers     | <u>2,921,294</u> | <u>1,928,320</u>                        | <u>71,062</u>                    | <u>13,988</u>             | <u>907,924</u>               |

Balances due from reinsurers are with counterparties who have investment grade credit ratings which is equivalent to AA+ to BBB under Standard and Poor's rating methodology.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**10. TECHNICAL RESERVES**

**(a) NET OUTSTANDING CLAIMS AND RESERVES**

|                                                       | 2022<br>SAR               | 2021<br>SAR               |
|-------------------------------------------------------|---------------------------|---------------------------|
| Gross outstanding claims                              | 76,956,277                | 83,717,517                |
| Claims incurred but not reported                      | 41,364,069                | 27,395,774                |
| Premium deficiency reserve                            | 17,502,915                | 26,312,790                |
| Other technical reserves *                            | 4,637,511                 | 5,470,428                 |
|                                                       | <u>140,460,772</u>        | <u>142,896,509</u>        |
| Less:                                                 |                           |                           |
| Reinsurers' share of outstanding claims               | (16,099,413)              | (10,362,152)              |
| Reinsurers' share of claims incurred but not reported | (2,059,565)               | (4,587,389)               |
|                                                       | <u>(18,158,978)</u>       | <u>(14,949,541)</u>       |
| <b>Net outstanding claims and other reserves</b>      | <u><b>122,301,794</b></u> | <u><b>127,946,968</b></u> |

\* Other technical reserves comprise of the following:

|                                     | 2022<br>SAR      | 2021<br>SAR      |
|-------------------------------------|------------------|------------------|
| Unallocated loss adjustment expense | 3,478,864        | 5,104,414        |
| Reinsurance accrual reserve         | 1,158,647        | 366,014          |
|                                     | <u>4,637,511</u> | <u>5,470,428</u> |

**(b) MOVEMENT IN UNEARNED PREMIUMS**

|                                  | 2022               |                     |                    | 2021               |                     |                    |
|----------------------------------|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
|                                  | Gross<br>SAR       | Reinsurance<br>SAR  | Net<br>SAR         | Gross<br>SAR       | Reinsurance<br>SAR  | Net<br>SAR         |
| Beginning balance                | 181,232,083        | (12,536,185)        | 168,695,898        | 91,976,873         | (15,250,132)        | 76,726,741         |
| Premiums written during the year | 368,839,351        | (46,483,381)        | 322,355,970        | 290,711,903        | (36,999,966)        | 253,711,937        |
| Premiums earned during the year  | (415,626,604)      | 46,084,180          | (369,542,424)      | (201,456,693)      | 39,713,913          | (161,742,780)      |
| Closing balance                  | <u>134,444,830</u> | <u>(12,935,386)</u> | <u>121,509,444</u> | <u>181,232,083</u> | <u>(12,536,185)</u> | <u>168,695,898</u> |

**(c) UNEARNED REINSURANCE COMMISSION**

|                                                 | 2022<br>SAR      | 2021<br>SAR      |
|-------------------------------------------------|------------------|------------------|
| Beginning balance                               | 1,758,780        | 1,606,945        |
| Reinsurance commission incurred during the year | 6,522,968        | 7,663,260        |
| Reinsurance commission earned during the year   | (6,256,912)      | (7,511,425)      |
| Closing balance                                 | <u>2,024,836</u> | <u>1,758,780</u> |

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**10. TECHNICAL RESERVES (CONTINUED)**

**(d) MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS**

|                           | <b>2022<br/>SAR</b> | <b>2021<br/>SAR</b> |
|---------------------------|---------------------|---------------------|
| Beginning balance         | <b>8,640,690</b>    | 3,733,851           |
| Incurred during the year  | <b>20,976,254</b>   | 15,972,636          |
| Amortised during the year | <b>(21,735,942)</b> | (11,065,797)        |
| Closing balance           | <b>7,881,002</b>    | 8,640,690           |

**11. CLAIMS DEVELOPMENT TABLE**

*Claims triangulation analysis by accident year*

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**11. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

|                                                                                            | 2022                            |                     |                     |                     |                     |                     |                 |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
|                                                                                            | 31 December<br>2017 and earlier | 31 December<br>2018 | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | Total           |
|                                                                                            | SAR                             | SAR                 | SAR                 | SAR                 | SAR                 | SAR                 | SAR             |
| <b>GROSS</b>                                                                               |                                 |                     |                     |                     |                     |                     |                 |
| Accident year                                                                              |                                 |                     |                     |                     |                     |                     |                 |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                 |
| At end of accident year                                                                    | 323,484,785                     | 268,242,289         | 275,257,990         | 171,071,337         | 150,480,073         | 403,197,571         | -               |
| One year later                                                                             | 282,270,228                     | 225,865,951         | 246,666,160         | 142,956,617         | 135,709,539         | -                   | -               |
| Two years later                                                                            | 260,400,803                     | 218,815,831         | 245,330,619         | 135,803,152         | -                   | -                   | -               |
| Three years later                                                                          | 256,138,211                     | 211,563,337         | 235,666,067         | -                   | -                   | -                   | -               |
| Four years later                                                                           | 246,575,427                     | 204,057,080         | -                   | -                   | -                   | -                   | -               |
| Five years later                                                                           | 1,189,584,135                   | -                   | -                   | -                   | -                   | -                   | -               |
| <b>Current estimate of cumulative claims incurred</b>                                      | 1,189,584,135                   | 204,057,080         | 235,666,067         | 135,803,152         | 135,709,539         | 403,197,571         | 2,304,017,544   |
| Cumulative payments to date                                                                | (1,184,127,974)                 | (201,916,426)       | (232,356,111)       | (129,522,765)       | (127,420,699)       | (310,353,223)       | (2,185,697,198) |
| <b>Total cumulative gross claim reserves recognised in statement of financial position</b> | 5,456,161                       | 2,140,654           | 3,309,956           | 6,280,387           | 8,288,841           | 92,844,347          | 118,320,346     |
| <b>NET (after considering effect of reinsurance)</b>                                       | 2022                            |                     |                     |                     |                     |                     |                 |
| Accident year                                                                              |                                 |                     |                     |                     |                     |                     |                 |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                 |
| At end of accident year                                                                    | 294,398,521                     | 249,529,105         | 254,264,989         | 161,565,269         | 141,916,147         | 383,867,681         | -               |
| One year later                                                                             | 256,929,714                     | 215,187,713         | 229,192,038         | 137,999,442         | 132,499,428         | -                   | -               |
| Two years later                                                                            | 244,422,302                     | 208,641,058         | 228,189,732         | 131,553,627         | -                   | -                   | -               |
| Three years later                                                                          | 240,304,346                     | 202,825,216         | 219,716,582         | -                   | -                   | -                   | -               |
| Four years later                                                                           | 232,374,963                     | 195,857,437         | -                   | -                   | -                   | -                   | -               |
| Five years later                                                                           | 1,043,854,740                   | -                   | -                   | -                   | -                   | -                   | -               |
| <b>Current estimate of cumulative claims incurred</b>                                      | 1,043,854,740                   | 195,857,437         | 219,716,582         | 131,553,627         | 132,499,428         | 383,867,681         | 2,107,349,494   |
| Cumulative payments to date                                                                | (1,040,261,704)                 | (193,740,847)       | (216,655,379)       | (125,700,015)       | (124,487,027)       | (306,343,155)       | (2,007,188,126) |
| <b>Total cumulative net claim reserves recognised in statement of financial position</b>   | 3,593,036                       | 2,116,590           | 3,061,203           | 5,853,612           | 8,012,401           | 77,524,526          | 100,161,368     |

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**11. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

| GROSS                                                                               |               | 2021                            |                     |                     |                     |                     |                     |       |
|-------------------------------------------------------------------------------------|---------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------|
| Accident year                                                                       |               | 31 December<br>2016 and earlier | 31 December<br>2017 | 31 December<br>2018 | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | Total |
|                                                                                     | SAR           | SAR                             | SAR                 | SAR                 | SAR                 | SAR                 | SAR                 | SAR   |
| Estimate of cumulative claims:                                                      |               |                                 |                     |                     |                     |                     |                     |       |
| At end of accident year                                                             | 262,477,634   | 323,484,785                     | 268,242,289         | 275,257,990         | 171,071,337         | 150,480,073         | -                   | -     |
| One year later                                                                      | 238,101,886   | 282,270,228                     | 225,865,951         | 246,666,160         | 142,956,617         | -                   | -                   | -     |
| Two years later                                                                     | 217,787,080   | 260,400,803                     | 218,815,831         | 245,330,619         | -                   | -                   | -                   | -     |
| Three years later                                                                   | 205,857,633   | 256,138,211                     | 211,563,337         | -                   | -                   | -                   | -                   | -     |
| Four years later                                                                    | 201,389,401   | 246,575,427                     | -                   | -                   | -                   | -                   | -                   | -     |
| Five years later                                                                    | 960,339,241   | -                               | -                   | -                   | -                   | -                   | -                   | -     |
| Current estimate of cumulative claims incurred                                      | 960,339,241   | 246,575,427                     | 211,563,337         | 245,330,619         | 142,956,617         | 150,480,073         | 1,957,245,314       |       |
| Cumulative payments to date                                                         | (945,217,123) | (242,195,112)                   | (202,271,040)       | (231,663,941)       | (127,653,818)       | (97,130,989)        | (1,846,132,023)     |       |
| Total cumulative gross claim reserves recognised in statement of financial position | 15,122,118    | 4,380,315                       | 9,292,297           | 13,666,678          | 15,302,799          | 53,349,084          | 111,113,291         |       |
| NET (after considering effect of reinsurance)                                       |               |                                 |                     |                     |                     |                     |                     |       |
|                                                                                     |               |                                 |                     |                     |                     |                     |                     |       |
| Accident year                                                                       |               |                                 |                     |                     |                     |                     |                     |       |
|                                                                                     |               |                                 |                     |                     |                     |                     |                     |       |
| Estimate of cumulative claims:                                                      |               |                                 |                     |                     |                     |                     |                     |       |
| At end of accident year                                                             | 230,423,840   | 294,398,521                     | 249,529,105         | 254,264,989         | 161,565,269         | 141,916,147         | -                   | -     |
| One year later                                                                      | 202,841,835   | 256,929,714                     | 215,187,713         | 229,192,038         | 137,999,442         | -                   | -                   | -     |
| Two years later                                                                     | 193,358,693   | 244,422,302                     | 208,641,058         | 228,189,732         | -                   | -                   | -                   | -     |
| Three years later                                                                   | 187,019,653   | 240,304,346                     | 202,825,216         | -                   | -                   | -                   | -                   | -     |
| Four years later                                                                    | 183,850,639   | 232,374,963                     | -                   | -                   | -                   | -                   | -                   | -     |
| Five years later                                                                    | 821,814,135   | -                               | -                   | -                   | -                   | -                   | -                   | -     |
| Current estimate of cumulative claims incurred                                      | 821,814,135   | 232,374,963                     | 202,825,216         | 228,189,732         | 137,999,442         | 141,916,147         | 1,765,119,635       |       |
| Cumulative payments to date                                                         | (812,466,246) | (228,109,096)                   | (193,949,807)       | (215,702,722)       | (123,657,386)       | (95,070,628)        | (1,668,955,885)     |       |
| Total cumulative net claim reserves recognised in statement of financial position   | 9,347,889     | 4,265,867                       | 8,875,409           | 12,487,010          | 14,342,056          | 46,845,519          | 96,163,750          |       |

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**12. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, NET**

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

|                                    |           |                                          |            |
|------------------------------------|-----------|------------------------------------------|------------|
| Leasehold improvements             | 6-7 years | Furniture, fixtures and office equipment | 6-10 years |
| Computer equipment and intangibles | 4 years   | Motor vehicles                           | 4 years    |

|                                  | Leasehold<br>improvements<br>SAR | Furniture,<br>fixtures and<br>office<br>equipment<br>SAR | Computer<br>equipment and<br>intangibles<br>SAR | Motor<br>vehicles<br>SAR | Total<br>2022<br>SAR     | Total<br>2021<br>SAR |
|----------------------------------|----------------------------------|----------------------------------------------------------|-------------------------------------------------|--------------------------|--------------------------|----------------------|
| <b>Cost:</b>                     |                                  |                                                          |                                                 |                          |                          |                      |
| Beginning balance                | 2,660,432                        | 3,837,361                                                | 12,157,714                                      | 44,001                   | <b>18,699,508</b>        | 17,596,044           |
| Additions                        | 161,639                          | 21,750                                                   | 1,238,680                                       | -                        | <b>1,422,069</b>         | 2,000,125            |
| Disposals                        | (2,034,105)                      | (1,659,191)                                              | (250,745)                                       | -                        | <b>(3,944,041)</b>       | (896,661)            |
|                                  | <u>787,966</u>                   | <u>2,199,920</u>                                         | <u>13,145,649</u>                               | <u>44,001</u>            | <u><b>16,177,536</b></u> | <u>18,699,508</u>    |
| <b>Accumulated depreciation:</b> |                                  |                                                          |                                                 |                          |                          |                      |
| Beginning balance                | 2,255,299                        | 2,052,795                                                | 10,217,866                                      | 43,997                   | <b>14,569,957</b>        | 13,878,691           |
| Charge for the year              | 110,114                          | 349,403                                                  | 1,086,560                                       | -                        | <b>1,546,077</b>         | 1,459,936            |
| Disposals                        | (1,881,988)                      | (1,361,341)                                              | (235,079)                                       | -                        | <b>(3,478,408)</b>       | (768,670)            |
|                                  | <u>483,425</u>                   | <u>1,040,857</u>                                         | <u>11,069,347</u>                               | <u>43,997</u>            | <u><b>12,637,626</b></u> | <u>14,569,957</u>    |
| <b>Net book value:</b>           |                                  |                                                          |                                                 |                          |                          |                      |
| <b>December 31, 2022</b>         | <u><b>304,541</b></u>            | <u><b>1,159,063</b></u>                                  | <u><b>2,076,302</b></u>                         | <u><b>4</b></u>          | <u><b>3,539,910</b></u>  |                      |
| December 31, 2021                | <u>405,133</u>                   | <u>1,784,566</u>                                         | <u>1,939,848</u>                                | <u>4</u>                 |                          | <u>4,129,551</u>     |

**13. INVESTMENTS**

(i) Investments are classified as follows:

|                          | 2022                           |                                    | 2021                           |                                    |
|--------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                          | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Available for sale "AFS" | <b>24,998,366</b>              | <b>123,703,913</b>                 | 25,044,590                     | 126,635,558                        |
| Held to maturity "HTM"   | -                              | -                                  | -                              | 5,000,000                          |
| Total                    | <u><b>24,998,366</b></u>       | <u><b>123,703,913</b></u>          | <u>25,044,590</u>              | <u>131,635,558</u>                 |



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**13. INVESTMENTS (CONTINUED)**

(a) Available for sale investments ("AFS") comprises the following:

|                                      | 2022                           |                                    | 2021                           |                                    |
|--------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                      | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Quoted equity securities             | -                              | 12,528,405                         | -                              | 12,702,270                         |
| Units in investment funds - (NAV)*   | 24,998,366                     | 43,792,750                         | 25,044,590                     | 40,783,222                         |
| Quoted fixed income securities       | -                              | 65,459,680                         | -                              | 71,226,988                         |
| Unquoted local equity investment **  | -                              | 1,923,078                          | -                              | 1,923,078                          |
| Total available for sale investments | 24,998,366                     | 123,703,913                        | 25,044,590                     | 126,635,558                        |

\* NAV: Net Asset Value as announced by asset manager.

\*\* This represents the share in Najm for Insurance Services Company measured at cost and the fair value was not materially different from its carrying value.

(b) Held to maturity ("HTM") comprises of domestic unquoted floating rate securities as follows:

|                                    | 2022                           |                                    | 2021                           |                                    |
|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                    | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Sukuk "Almarai" – September 2022   | -                              | -                                  | -                              | 5,000,000                          |
| Total held to maturity investments | -                              | -                                  | -                              | 5,000,000                          |

The fair value of the "HTM" investments As at 31 December 2022 was not different from its carrying value. Sukuk "Sipchem" was matured in the second quarter 2022.

(ii) The movement during the year in the investments is as follows:

|                                          | 2022                           |                                    | 2021                           |                                    |
|------------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                          | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Opening balance                          | 25,044,590                     | 131,635,558                        | 52,732,939                     | 199,708,514                        |
| Purchases                                | 34,021,648                     | 39,390,770                         | 62,793,195                     | 7,511,929                          |
| Disposals                                | (34,700,822)                   | (39,306,099)                       | (97,909,152)                   | (78,006,493)                       |
| Impairment                               | -                              | (1,031,278)                        | -                              | (1,218,783)                        |
|                                          | 24,365,416                     | 130,688,951                        | 17,616,982                     | 127,995,167                        |
| Changes in fair value of investments     | 654,599                        | (6,474,369)                        | 7,405,959                      | 3,689,336                          |
| Foreign currency translation adjustments | (21,649)                       | (510,669)                          | 21,649                         | (48,945)                           |
| Closing balance                          | 24,998,366                     | 123,703,913                        | 25,044,590                     | 131,635,558                        |

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**13. INVESTMENTS (CONTINUED)**

(iii) Investment income comprises of the following:

|                                              | 2022                           |                                    | 2021                           |                                    |
|----------------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                              | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Special commission income                    | 9,547,471                      | 12,372,338                         | 4,754,317                      | 6,743,335                          |
| Dividend income                              | -                              | 2,638,070                          | 1,155,617                      | 7,076,045                          |
| Realized gain on sale of investments         | 700,823                        | 1,363,646                          | 11,034,144                     | 10,051,811                         |
| Impairment of available for sale investments | -                              | (1,031,278)                        | -                              | (1,218,783)                        |
| Total investment income                      | 10,248,294                     | 15,342,776                         | 16,944,078                     | 22,652,408                         |

(iv) The analysis of total investments (insurance and shareholders' operations) by counterparties is as follows:

|                                  | 2022<br>SAR | 2021<br>SAR |
|----------------------------------|-------------|-------------|
| Government and quasi government  | 28,061,027  | 30,249,543  |
| Banks and financial institutions | 35,912,491  | 35,488,168  |
| Corporates and investment funds  | 84,728,761  | 90,942,437  |
| Total                            | 148,702,279 | 156,680,148 |

(v) The credit quality of total investments (insurance and shareholders' operations) is as follows:

|                      | 2022<br>SAR | 2021<br>SAR |
|----------------------|-------------|-------------|
| Investment grade     | 41,164,525  | 42,643,038  |
| Non-investment grade | 32,823,560  | 41,286,220  |
| Unrated              | 74,714,194  | 72,750,890  |
| Total                | 148,702,279 | 156,680,148 |

**14. INVESTMENT IN ASSOCIATE**

The Company's interest in associate, which is unquoted, is as follows along with summarized financial information:

**Gulf Warranties Insurance Services (Limited liability Company)**

| As of             | Country of<br>Incorporation | Assets    | Liabilities | Revenue   | Profit/(Loss) | %Interest |
|-------------------|-----------------------------|-----------|-------------|-----------|---------------|-----------|
| SAR               |                             |           |             |           |               |           |
| December 31, 2022 | Saudi Arabia                | 5,213,683 | 2,301,286   | 4,502,019 | 1,438,766     | 40%       |
| December 31, 2021 | Saudi Arabia                | 4,045,245 | 2,571,705   | 2,286,562 | (299,282)     | 40%       |

Based on latest management accounts for the year ended 31 December 2022 and 2021.

|                         | 2022<br>SAR | 2021<br>SAR |
|-------------------------|-------------|-------------|
| Balance, January 1      | 597,960     | 700,618     |
| Share of profit /(loss) | 536,611     | (102,658)   |
| Balance, December 31    | 1,134,571   | 597,960     |

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**15. 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 in 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 assets or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability

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

**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.

|                                             | Level 1<br>SAR    | Level 2<br>SAR    | Level 3<br>SAR   | Total<br>SAR       |
|---------------------------------------------|-------------------|-------------------|------------------|--------------------|
| <b><u>2022</u></b>                          |                   |                   |                  |                    |
| <b>Available for sale</b>                   |                   |                   |                  |                    |
| - Equities                                  | 12,528,405        | -                 | 1,923,078        | 14,451,483         |
| - Fixed income securities                   | 65,459,680        | -                 | -                | 65,459,680         |
| - Units in investment and real estate funds | -                 | 68,791,116        | -                | 68,791,116         |
|                                             | <b>77,988,085</b> | <b>68,791,116</b> | <b>1,923,078</b> | <b>148,702,279</b> |
| <b><u>2021</u></b>                          |                   |                   |                  |                    |
| <b>Available for sale</b>                   |                   |                   |                  |                    |
| - Equities                                  | 12,702,270        | -                 | 1,923,078        | 14,625,348         |
| - Fixed income securities                   | 71,226,988        | -                 | -                | 71,226,988         |
| - Units in investment and real estate funds | -                 | 65,827,812        | -                | 65,827,812         |
|                                             | <b>83,929,258</b> | <b>65,827,812</b> | <b>1,923,078</b> | <b>151,680,148</b> |

**Transfers between levels**

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Right-of-use assets depreciation charge and balance are as follows:

|                                  | 2022<br>SAR      | 2021<br>SAR      |
|----------------------------------|------------------|------------------|
| <b>Cost</b>                      |                  |                  |
| As at 1 January                  | 9,468,149        | 7,946,701        |
| Additions                        | -                | 2,740,619        |
| Deletions                        | (6,727,530)      | (1,219,171)      |
| As at 31 December                | <u>2,740,619</u> | <u>9,468,149</u> |
| <b>Accumulated Depreciation</b>  |                  |                  |
| As at 1 January                  | 3,766,720        | 3,377,274        |
| Charge                           | 1,230,319        | 1,608,617        |
| Disposals                        | (3,590,476)      | (1,219,171)      |
| As at 31 December                | <u>1,406,563</u> | <u>3,766,720</u> |
| Carrying Value as at 31 December | <u>1,334,056</u> | <u>5,701,429</u> |

Lease liabilities as at year end are as follows:

|                                        | 2022<br>SAR      | 2021<br>SAR      |
|----------------------------------------|------------------|------------------|
| Non-current portion of lease liability | -                | 2,956,727        |
| Current portion of lease liability     | <u>1,092,627</u> | <u>2,239,753</u> |
|                                        | <u>1,092,627</u> | <u>5,196,480</u> |

The total interest expense on lease liabilities recognized during the year ended 31 December 2022 is SAR 29,459 (2021 is SAR 115,453).

**17. POLICYHOLDERS AND ACCOUNTS PAYABLES**

|                                          | 2022<br>SAR       | 2021<br>SAR       |
|------------------------------------------|-------------------|-------------------|
| Payable to policyholders                 | 25,984,855        | 23,631,445        |
| Brokers and salesmen commissions payable | 8,464,921         | 5,139,029         |
| Other insurance payables                 | <u>10,907,441</u> | <u>11,044,879</u> |
|                                          | <u>45,357,217</u> | <u>39,815,353</u> |

**18. ACCRUED EXPENSES AND OTHER LIABILITIES**

|                                                                          | 2022                           |                                   | 2021                           |                                    |
|--------------------------------------------------------------------------|--------------------------------|-----------------------------------|--------------------------------|------------------------------------|
|                                                                          | Insurance<br>Operations<br>SAR | Shareholder'<br>Operations<br>SAR | Insurance<br>Operations<br>SAR | Shareholders'<br>Operations<br>SAR |
| Excess of loss premiums and reinsurance commissions adjustments accruals | 974,405                        | -                                 | 427,249                        | -                                  |
| Third party claims payables                                              | 8,205,861                      | -                                 | 4,668,314                      | -                                  |
| Employees' related accruals and payables                                 | 1,193,078                      | -                                 | 3,183,369                      | -                                  |
| Board of directors and committee's remuneration fees and expenses        | -                              | 1,757,690                         | -                              | 1,875,000                          |
| Others                                                                   | <u>9,884,054</u>               | <u>542,737</u>                    | <u>12,641,131</u>              | <u>675,351</u>                     |
|                                                                          | <u>20,257,398</u>              | <u>2,300,427</u>                  | <u>20,920,063</u>              | <u>2,550,351</u>                   |

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**19. END OF SERVICE BENEFITS**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labour 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 amount recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

|                                                                               | 2022<br>SAR        | 2021<br>SAR |
|-------------------------------------------------------------------------------|--------------------|-------------|
| <b>Amount recognised in the statement of financial position</b>               |                    |             |
| Present value of end of service benefits                                      | <b>8,227,890</b>   | 12,311,821  |
| Net liability at end of the year                                              | <b>8,227,890</b>   | 12,311,821  |
| <b>Benefit expense (recognised in statement of income)</b>                    |                    |             |
| Current service costs                                                         | <b>2,219,444</b>   | 2,154,800   |
| Commission rate costs                                                         | <b>369,354</b>     | 450,544     |
| Benefit expense (recognised in profit or loss)                                | <b>2,588,798</b>   | 2,605,344   |
| <b>Reconciliation of present value of end of service benefits</b>             |                    |             |
| End of service benefits at beginning of the year                              | <b>12,311,821</b>  | 16,012,358  |
| Current service costs                                                         | <b>2,219,444</b>   | 2,154,800   |
| Commission rate costs                                                         | <b>369,354</b>     | 450,544     |
| Actuarial gain/(loss) from experience adjustments                             | <b>(4,040,497)</b> | (1,648,695) |
| Benefits paid during the year                                                 | <b>(2,632,232)</b> | (4,657,186) |
| Present value of end of service benefits at end of the year                   | <b>8,227,890</b>   | 12,311,821  |
| <b>Reconciliation of net liability in the statement of financial position</b> |                    |             |
| Opening balance                                                               | <b>12,311,821</b>  | 16,012,358  |
| Charge to statement of income                                                 | <b>2,588,798</b>   | 2,605,344   |
| Charge to statement of other comprehensive income                             | <b>(4,040,497)</b> | (1,648,695) |
| Payment of benefits during the year                                           | <b>(2,632,232)</b> | (4,657,186) |
| Closing balance                                                               | <b>8,227,890</b>   | 12,311,821  |
| <b>Principal actuarial assumption</b>                                         |                    |             |
| Valuation discount rate                                                       | <b>4.75%</b>       | 3.00%       |
| Expected rate of increase in salary level across different age bands          | <b>5.00%</b>       | 5.00%       |

The impact of changes in sensitivities on present value of end of service benefits liability is as follows:

|                                                                      | <b>End of service benefits liability</b> |             |
|----------------------------------------------------------------------|------------------------------------------|-------------|
|                                                                      | 2022<br>SAR                              | 2021<br>SAR |
| Central Assumptions                                                  | <b>8,227,890</b>                         | 12,311,821  |
| Valuation discount rate                                              |                                          |             |
| • Increase by 0.50%                                                  | <b>7,902,685</b>                         | 11,814,782  |
| • Decrease by 0.50%                                                  | <b>8,578,365</b>                         | 12,848,206  |
| Expected rate of increase in salary level across different age bands |                                          |             |
| • Increase by 0.50%                                                  | <b>8,596,172</b>                         | 12,865,533  |
| • Decrease by 0.50%                                                  | <b>7,883,099</b>                         | 11,793,475  |

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**20. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                                                  | 2022                        |                                 | 2021                        |                                 |
|------------------------------------------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
|                                                                  | Insurance operations<br>SAR | Shareholders' operations<br>SAR | Insurance operations<br>SAR | Shareholders' operations<br>SAR |
| Employees' salaries and all staff related costs                  | 41,864,308                  | -                               | 44,524,654                  | -                               |
| Office rent                                                      | 3,103,702                   | -                               | 3,931,345                   | -                               |
| Legal and professional fees                                      | 3,575,746                   | -                               | 4,317,651                   | -                               |
| Utilities and telecommunications                                 | 2,196,187                   | -                               | 1,827,677                   | -                               |
| Information technology expenses                                  | 2,574,264                   | -                               | 2,566,387                   | -                               |
| Depreciation of property, equipment and intangible assets        | 1,546,077                   | -                               | 1,459,936                   | -                               |
| Stationery and office supplies                                   | 364,393                     | -                               | 383,166                     | -                               |
| Withholding taxes                                                | 405,884                     | -                               | 127,545                     | -                               |
| Board of Directors and committees remuneration fees and expenses | -                           | 1,870,806                       | -                           | 2,544,112                       |
| Listing fees                                                     | -                           | 376,821                         | -                           | 369,467                         |
| Others                                                           | 8,083,619                   | 341,290                         | 7,397,403                   | 1,844,692                       |
|                                                                  | <b>63,714,180</b>           | <b>2,588,917</b>                | <b>66,535,764</b>           | <b>4,758,271</b>                |

**21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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 parties' transactions during the year and the related balances:

|                                            |                                                                     | Transactions for the year ended |                         | Balance as at           |                         |
|--------------------------------------------|---------------------------------------------------------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
|                                            |                                                                     | 31 December 2022<br>SAR         | 31 December 2021<br>SAR | 31 December 2022<br>SAR | 31 December 2021<br>SAR |
| Major Shareholders                         | Insurance premium written                                           | 13,075,211                      | 14,396,900              | 9,259,420               | 5,712,102               |
|                                            | Claims paid                                                         | 2,084,264                       | 1,905,321               | -                       | -                       |
|                                            | Reinsurance premium ceded                                           | 357,347                         | 2,782,646               | (1,330,678)             | (4,094,797)             |
| Board of Directors and committees' members | Remuneration fees, allowances and other expense                     | 1,870,806                       | 2,544,112               | (1,757,690)             | (2,091,840)             |
|                                            | Insurance premium written                                           | 19,637,440                      | 22,423,243              | 5,527,970               | 4,900,875               |
|                                            | Claims paid                                                         | 2,084,264                       | 6,044,387               | -                       | -                       |
|                                            | Insurance brokerage contracts                                       | 2,008,388                       | 3,442,863               | (2,219,320)             | (1,549,720)             |
| Associate                                  | General and administrative expenses paid on behalf of the associate | -                               | -                       | -                       | 510,973                 |

Balances in respect of the above transactions with related parties are included in the relevant accounts in the statements of financial position and statement of income.

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**21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)**

**Compensation of key management personnel**

Key management personnel of the Company include five top executives including the Chief Executive Officer and Finance Manager. The summary of compensation of key management personnel for the year is as follows:

|                         | <b>2022</b>      | <b>2021</b> |
|-------------------------|------------------|-------------|
|                         | <b>SAR</b>       | <b>SAR</b>  |
| Short term benefits     | <b>4,154,418</b> | 3,023,047   |
| End of service benefits | <b>174,795</b>   | 128,984     |
|                         | <b>4,329,213</b> | 3,152,031   |

**22. STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local bank designated by SAMA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Accrued interest on the statutory deposit amounting to SR 2,582,066 (31 December 2021: SR 2,353,079) has been presented in the statement of financial position.

**23. SHARE CAPITAL**

The authorized, issued and paid up share capital of the Company was SAR 300 million at 31 December 2022 (31 December 2021: SAR 300 million) consisting of 30 million shares (31 December 2021: 30 million shares) of SAR 10 each.

The shareholders of the Company are subject 100% to Zakat.

**24. STATUTORY RESERVE**

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

**25. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE**

Basic and diluted earnings per share for the year has been calculated by dividing the net income/loss for the year attributed to the shareholders after zakat by the number of issued and outstanding shares (30 million shares) at the year end.

**26. DIVIDENDS**

No Dividend declared or paid during the year 2022.

**27. 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.

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**28. ZAKAT**

The movement in provision during the year is set out below:

|                              | <b>2022</b>         | 2021        |
|------------------------------|---------------------|-------------|
|                              | <b>SAR</b>          | SAR         |
| At the beginning of the year | <b>32,841,217</b>   | 30,147,838  |
| Provided during the year     | <b>6,650,274</b>    | 11,456,333  |
| Payments during the year     | <b>(11,418,661)</b> | (8,762,954) |
| At the end of the year       | <b>28,072,830</b>   | 32,841,217  |

The provision for the year is based on the following:

|                                                                             | <b>2022</b>         | 2021         |
|-----------------------------------------------------------------------------|---------------------|--------------|
|                                                                             | <b>SAR</b>          | SAR          |
| Shareholders' equity                                                        | <b>434,852,783</b>  | 430,538,977  |
| Net book value of long term assets, investments and non-current liabilities | <b>(74,211,988)</b> | (41,557,578) |
| Provisions                                                                  | <b>42,577,643</b>   | 47,844,208   |
|                                                                             | <b>403,218,438</b>  | 436,825,607  |
| Adjusted (loss)/income for the year                                         | <b>(27,968,061)</b> | 7,854,024    |
| Zakat base                                                                  | <b>375,250,377</b>  | 444,679,631  |

**Status of assessments**

The Company has filed zakat returns with the General Authority of Zakat, Tax & Custom Authority ("ZATCA") for the years from 2010 to 2021.

On review of the zakat return by ZATCA for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. During 2014, ZATCA revised its assessment of the zakat return for the long period ended 31 December 2010 after taking into consideration the effect of portfolio transfer and raised an additional demand of SAR 64,738. The Company paid this demand. The final assessment has not yet been carried out by the ZATCA.

On review of the zakat return by the ZATCA for the year 2011, a demand of SAR 2,378,604 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. On February 2019 ZATCA revised its assessment of the zakat return to SAR 2,053,604 after taken into consideration the deduction of statutory deposit based on the decision of the Appeal Committee.

On review of the zakat return by the ZATCA for the year 2012, a demand of SAR 1,979,521 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. The final assessments have been carried out by the ZATCA, ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC

On review of the zakat return by the ZATCA for the years 2013 and 2014 a demand of SAR 2,885,577 and SAR 2,885,577 respectively as initial assessments, have been raised by the ZATCA. However, the Company has filed appeals with the ZATCA. As the final assessments for 2013 and 2014 have been issued (in 2020) the 2013/2014 initial assessments have been cancelled automatically.

In 2020 the company received VAT assessments from ZATCA for the FY 2018 and 2019 amounted 3,924,845 VAT plus 1,089,003 VAT delay penalties. Company objected against the assessment and still in procedure. Company paid the VAT assessment and cancelled the penalties as per ZATCA initiatives and continue with the objection. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.



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**28. ZAKAT (CONTINUED)**

**Status of assessments (continued)**

In 2020, 2021 the company received zakat and WHT assessments from ZATCA for the FY 2014 to 2020, Company objected against the assessment and still in procedure. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

The summary for the appeals in GSTC:

- From 2014 to 2018 zakat and withholding tax appeal
- For year 2012 zakat appeal
- From February to December 2018 VAT appeal
- From January to December 2019 VAT appeal
- From 2019 to 2020 zakat appeal.

**29. RISK MANAGEMENT**

**Risk governance**

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

*Risk management structure*

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

*Board of Directors*

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

*Senior management*

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

*Risk Management and Audit committees*

Risk management processes throughout the Company are audited annually by the Risk and Internal Audit Departments which examines both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

**a) Insurance risk**

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire, general accident, engineering, motor, medical and marine risks.

*Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, general accidents, medical and marine classes. These classes of insurance except for long tail engineering policies are general regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

*Motor*

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance excess of loss cover to limit the losses for any individual claim.

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**29. RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

*Property*

For property insurance contracts the main risks are fire and business interruption. The Company only underwrites policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

*General accident and liability*

For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe, Public Liability, Workmen's Compensation, Medical Malpractice and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

*Marine*

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

*Engineering*

For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning. Engineering policies extend beyond annual periods in respect of tenure. The Company mitigates such risks by recognition of lower earned premiums during the first year of long-term policies and reinsures significant risks by undertaking treaty, facultative as well as excess of loss reinsurance arrangements.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

**Sensitivity analysis**

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the net claim's ratio would impact income by approximately SAR 34 million (2021: SAR 9.72 million) annually in aggregate.

**b) Reinsurance risk**

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

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

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

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**29. RISK MANAGEMENT (CONTINUED)**

**b) Reinsurance risk (continued)**

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board before approving them for exchange of reinsurance business. As at December 31, 2021 and 2020, there is no significant concentration of reinsurance balances.

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

**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. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

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

|                                          | 2022 (SAR)            |                          | 2021(SAR)             |                          |
|------------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                          | Insurance' operations | Shareholders' operations | Insurance' operations | Shareholders' operations |
| <b>Assets</b>                            |                       |                          |                       |                          |
| Cash and cash equivalents                | 199,115,005           | 55,795,047               | 171,654,855           | 66,232,040               |
| Time deposits                            | 90,000,000            | 95,000,000               | 125,118,352           | 208,624,271              |
| Premiums and reinsurers' receivable, net | 85,177,647            | -                        | 39,887,814            | -                        |
| Investments                              | 24,998,366            | 131,635,558              | 25,044,590            | 131,635,558              |
| Reinsurers' share of outstanding claims  | 16,099,413            | -                        | 10,362,152            | -                        |
| Statutory deposit and returns            | -                     | 32,582,066               | -                     | 32,353,079               |
| Other assets                             | 37,331,080            | 5,127,510                | 38,699,771            | 4,146,615                |
|                                          | <b>452,721,511</b>    | <b>320,140,181</b>       | <b>410,767,534</b>    | <b>442,991,563</b>       |

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**29. RISK MANAGEMENT (CONTINUED)**

**d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitment associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and the Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

*Maturity table*

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

|                                                      | 2022 (SAR)            |                       |                    |                          |                       |                    |
|------------------------------------------------------|-----------------------|-----------------------|--------------------|--------------------------|-----------------------|--------------------|
|                                                      | Insurance operations  |                       |                    | Shareholders' operations |                       |                    |
|                                                      | Less than<br>one year | More than<br>one year | Total              | Less than<br>one year    | More than<br>one year | Total              |
| <b>ASSETS</b>                                        |                       |                       |                    |                          |                       |                    |
| Statutory deposit                                    | -                     | -                     | -                  | -                        | 32,582,066            | 32,582,066         |
| Other assets                                         | 37,331,080            | -                     | 37,331,080         | 5,127,510                | -                     | 5,127,510          |
| Reinsurers' share of outstanding claims              | 16,099,413            | -                     | 16,099,413         | -                        | -                     | -                  |
| Premiums and reinsurance balances<br>receivable, net | 85,177,647            | -                     | 85,177,647         | -                        | -                     | -                  |
| Due from insurance operations                        | -                     | -                     | -                  | 114,391,640              | -                     | 114,391,640        |
| Investments                                          | 19,456,866            | 5,541,500             | 24,998,366         | 100,063,323              | 31,572,235            | 131,635,558        |
| Time deposits                                        | 90,000,000            | -                     | 90,000,000         | 95,000,000               | -                     | 95,000,000         |
| Cash and cash equivalents                            | 199,115,005           | -                     | 199,115,005        | 55,795,047               | -                     | 55,795,047         |
| <b>TOTAL ASSETS</b>                                  | <b>447,180,011</b>    | <b>5,541,500</b>      | <b>452,721,511</b> | <b>370,377,520</b>       | <b>64,154,301</b>     | <b>434,531,821</b> |

|                                        | 2022(SAR)             |                       |                    |                          |                       |                   |
|----------------------------------------|-----------------------|-----------------------|--------------------|--------------------------|-----------------------|-------------------|
|                                        | Insurance operations  |                       |                    | Shareholders' operations |                       |                   |
|                                        | Less than<br>one year | More than<br>one year | Total              | Less than<br>one year    | More than<br>one year | Total             |
| <b>LIABILITIES</b>                     |                       |                       |                    |                          |                       |                   |
| Outstanding claims                     | 76,956,277            | -                     | 76,956,277         | -                        | -                     | -                 |
| End-of-service benefits                | -                     | 8,227,890             | 8,227,890          | -                        | -                     | -                 |
| Policyholders and accounts payables    | 45,357,217            | -                     | 45,357,217         | -                        | -                     | -                 |
| Reinsurers' balances payable           | 14,995,195            | -                     | 14,995,195         | -                        | -                     | -                 |
| Zakat payable                          | -                     | -                     | -                  | 28,072,829               | -                     | 28,072,829        |
| Accrued expenses and other liabilities | 20,257,398            | -                     | 20,257,398         | 2,300,428                | -                     | 2,300,428         |
| Due to shareholders' operations        | 114,391,640           | -                     | 114,391,640        | -                        | -                     | -                 |
| Statutory deposit investment returns   | -                     | -                     | -                  | -                        | 2,582,066             | 2,582,066         |
| <b>TOTAL LIABILITIES</b>               | <b>271,957,727</b>    | <b>8,227,890</b>      | <b>280,185,617</b> | <b>30,373,257</b>        | <b>2,582,066</b>      | <b>32,955,323</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

**29. RISK MANAGEMENT (CONTINUED)**

**d) Liquidity risk (continued)**

|                                                      | 2021(SAR)             |                       |                    |                          |                       |                    |
|------------------------------------------------------|-----------------------|-----------------------|--------------------|--------------------------|-----------------------|--------------------|
|                                                      | Insurance operations  |                       |                    | Shareholders' operations |                       |                    |
|                                                      | Less than<br>one year | More than<br>one year | Total              | Less than<br>one year    | More than<br>one year | Total              |
| <b>ASSETS</b>                                        |                       |                       |                    |                          |                       |                    |
| Statutory deposit                                    | -                     | -                     | -                  | -                        | 32,353,079            | 32,353,079         |
| Other assets                                         | 38,699,770            | -                     | 38,699,770         | 4,146,615                | -                     | 4,146,615          |
| Reinsurers' share of outstanding claims              | 10,362,152            | -                     | 10,362,152         | -                        | -                     | -                  |
| Premiums and reinsurance balances<br>receivable, net | 39,887,814            | -                     | 39,887,814         | -                        | -                     | -                  |
| Due from insurance operations                        | -                     | -                     | -                  | 36,576,338               | -                     | 36,576,338         |
| Investments                                          | 19,719,290            | 5,325,300             | 25,044,590         | 116,894,098              | 14,741,460            | 131,635,558        |
| Time deposits                                        | 125,118,352           | -                     | 125,118,352        | 208,624,271              | -                     | 208,624,271        |
| Cash and cash equivalents                            | 171,654,855           | -                     | 171,654,855        | 66,232,040               | -                     | 66,232,040         |
| <b>TOTAL ASSETS</b>                                  | <b>405,442,233</b>    | <b>5,325,300</b>      | <b>410,767,533</b> | <b>432,473,362</b>       | <b>47,094,539</b>     | <b>479,567,901</b> |

|                                        | 2021(SAR)             |                       |                    |                          |                       |                   |
|----------------------------------------|-----------------------|-----------------------|--------------------|--------------------------|-----------------------|-------------------|
|                                        | Insurance operations  |                       |                    | Shareholders' operations |                       |                   |
|                                        | Less than<br>one year | More than<br>one year | Total              | Less than<br>one year    | More than<br>one year | Total             |
| <b>LIABILITIES</b>                     |                       |                       |                    |                          |                       |                   |
| Outstanding claims                     | 83,717,517            | -                     | 83,717,517         | -                        | -                     | -                 |
| End-of-service benefits                | -                     | 12,311,821            | 12,311,821         | -                        | -                     | -                 |
| Policyholders and accounts payables    | 39,815,353            | -                     | 39,815,353         | -                        | -                     | -                 |
| Reinsurers' balances payable           | 10,408,950            | -                     | 10,408,950         | -                        | -                     | -                 |
| Zakat payable                          | -                     | -                     | -                  | 32,841,217               | -                     | 32,841,217        |
| Accrued expenses and other liabilities | 20,920,062            | -                     | 20,920,062         | 2,550,351                | -                     | 2,550,351         |
| Due to shareholders' operations        | 36,576,338            | -                     | 36,576,338         | -                        | -                     | -                 |
| Statutory deposit investment returns   | -                     | -                     | -                  | -                        | 2,353,079             | 2,353,079         |
| <b>TOTAL LIABILITIES</b>               | <b>191,438,220</b>    | <b>12,311,821</b>     | <b>203,750,041</b> | <b>35,391,568</b>        | <b>2,353,079</b>      | <b>37,744,647</b> |

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investments securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

**e) Special commission rate risk**

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**29. RISK MANAGEMENT (CONTINUED)**

**f) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

**g) Market price risk**

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

The Company has investments in quoted 'sukuks', fixed rate bonds and locally quoted equities and investment funds (see note 13a), which have been classified under 'available for sale' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the 'other comprehensive income' and consequently 'shareholders' equity (for investments held under shareholders' operations) by SAR 3.27 million (2021: SAR 4.20 million).

**h) 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 SAMA in Article 66 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 SAMA Implementing Regulations:

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

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

**29. RISK MANAGEMENT (CONTINUED)**

**i) Operational Risk**

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 behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational 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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**30. INSURANCE OPERATING SEGMENTS**

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

Segment results do not include general and administrative expenses, allowance for doubtful debts, income on term deposits and investments, gain or loss on property, plant and equipment and investments. Accordingly, they are included in unallocated expenses or income.

Segment assets do not include insurance operations' property and equipment, investments, prepayments and other assets, premiums and reinsurance balances receivable, cash and cash equivalents and time deposits. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities and insurance operations' surplus. Accordingly they are included in unallocated liabilities.

| For the year ended 31 December 2022              | Motor                | Medical             | Property & Casualty | Total                |
|--------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| <b>Gross written premiums</b>                    |                      |                     |                     |                      |
| Individuals                                      | 170,476,828          | 3,714,713           | 268,174             | 174,459,715          |
| Very small enterprises                           | 4,650,476            | 71,900,990          | 1,406,276           | 77,957,742           |
| Small enterprises                                | 15,061,157           | 771,344             | 8,385,756           | 24,218,257           |
| Medium sized enterprises                         | 7,853,105            | 2,042               | 11,985,792          | 19,840,939           |
| Large enterprises                                | 43,194,580           | 27,993              | 29,140,125          | 72,362,698           |
| <b>Total gross written premiums</b>              | <b>241,236,146</b>   | <b>76,417,082</b>   | <b>51,186,123</b>   | <b>368,839,351</b>   |
| <b>REVENUES</b>                                  |                      |                     |                     |                      |
| Gross written premiums                           | 241,236,146          | 76,417,082          | 51,186,123          | 368,839,351          |
| Reinsurance premiums ceded                       |                      |                     |                     |                      |
| - Local                                          | -                    | -                   | (4,672,892)         | (4,672,892)          |
| - Foreign – Direct                               | -                    | -                   | (6,400,157)         | (6,400,157)          |
| - Foreign – Through local reinsurance broker     | -                    | -                   | (27,433,735)        | (27,433,735)         |
| Excess of loss premiums                          |                      |                     |                     |                      |
| - Local                                          | (418,838)            | 383,963             | (659,947)           | (694,822)            |
| - Foreign – Through local reinsurance broker     | (1,265,241)          | (3,717,121)         | (2,299,413)         | (7,281,775)          |
| <b>Net premiums written</b>                      | <b>239,552,067</b>   | <b>73,083,924</b>   | <b>9,719,979</b>    | <b>322,355,970</b>   |
| Change in unearned premiums, net                 | 17,701,145           | 28,733,380          | 751,929             | 47,186,454           |
| <b>Net premiums earned</b>                       | <b>257,253,212</b>   | <b>101,817,304</b>  | <b>10,471,908</b>   | <b>369,542,424</b>   |
| Reinsurance commissions earned                   |                      |                     | 6,256,912           | 6,256,912            |
| Policy fees                                      | 97,414               | -                   | 179,220             | 276,634              |
| Other underwriting income                        | 471,667              | 4,762,614           | 16,904,849          | 22,139,130           |
| <b>TOTAL REVENUES</b>                            | <b>257,822,293</b>   | <b>106,579,918</b>  | <b>33,812,889</b>   | <b>398,215,100</b>   |
| <b>UNDERWRITING COSTS</b>                        |                      |                     |                     |                      |
| Gross claims paid                                | (254,194,142)        | (85,565,599)        | (3,178,267)         | (342,938,008)        |
| Reinsurers' share of claims paid                 | 39,149               | 4,337,843           | 2,178,497           | 6,555,489            |
| <b>Net claims paid</b>                           | <b>(254,154,993)</b> | <b>(81,227,756)</b> | <b>(999,770)</b>    | <b>(336,382,519)</b> |
| Changes in outstanding claims, net               | 12,868,493           | 1,289,623           | (1,659,615)         | 12,498,501           |
| Changes in claims incurred but not reported, net | (16,217,062)         | (1,154,491)         | 875,434             | (16,496,119)         |
| <b>Net claims incurred</b>                       | <b>(257,503,562)</b> | <b>(81,092,624)</b> | <b>(1,783,951)</b>  | <b>(340,380,137)</b> |
| Changes in premium deficiency reserve            | 735,514              | 8,074,361           | -                   | 8,809,875            |
| Changes in other technical reserves              | 1,376,278            | (804,664)           | 261,303             | 832,917              |
| Policy acquisition costs                         | (8,709,135)          | (9,106,684)         | (3,920,123)         | (21,735,942)         |
| Inspection and supervision fees                  | (1,204,087)          | (1,148,183)         | (229,266)           | (2,581,536)          |
| Third party administrator fees                   | -                    | (4,659,775)         | -                   | (4,659,775)          |
| Other underwriting expenses                      | (29,602,200)         | (725,879)           | (23,000)            | (30,351,079)         |
| <b>TOTAL UNDERWRITING COSTS</b>                  | <b>(294,907,192)</b> | <b>(89,463,448)</b> | <b>(5,695,037)</b>  | <b>(390,065,677)</b> |
| <b>NET UNDERWRITING SURPLUS/(DEFICIT)</b>        | <b>(37,084,899)</b>  | <b>17,116,470</b>   | <b>28,117,852</b>   | <b>8,149,423</b>     |
| Unallocated other operating expenses             |                      |                     |                     | (66,336,764)         |
| Unallocated investment and other income          |                      |                     |                     | 12,254,039           |
| <b>DEFICIT FROM INSURANCE OPERATIONS</b>         |                      |                     |                     | <b>(45,933,302)</b>  |



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**30. INSURANCE OPERATING SEGMENTS (CONTINUED)**

| For the year ended 31 December 2021              | Motor        | Medical      | Property &<br>Casualty | Total         |
|--------------------------------------------------|--------------|--------------|------------------------|---------------|
| <u>Gross written premiums</u>                    |              |              |                        |               |
| Individuals                                      | 132,841,519  | 212,517      | 429,337                | 133,483,373   |
| Very small enterprises                           | 1,939,612    | 80,455,195   | 1,508,666              | 83,903,473    |
| Small enterprises                                | 3,846,326    | 472,059      | 4,681,997              | 9,000,382     |
| Medium sized enterprises                         | 3,928,852    | 51,463       | 15,970,582             | 19,950,897    |
| Large enterprises                                | 23,850,719   | 51,792       | 20,471,267             | 44,373,778    |
| Total gross written premiums                     | 166,407,028  | 81,243,026   | 43,061,849             | 290,711,903   |
| <u>REVENUES</u>                                  |              |              |                        |               |
| Gross written premiums                           | 166,407,028  | 81,243,026   | 43,061,849             | 290,711,903   |
| Reinsurance premiums ceded                       |              |              |                        |               |
| - Local                                          | -            | -            | (4,438,472)            | (4,438,472)   |
| - Foreign – Direct                               | -            | -            | (7,209,957)            | (7,209,957)   |
| - Foreign – Through local reinsurance broker     | -            | -            | (18,306,971)           | (18,306,971)  |
| Excess of loss premiums                          |              |              |                        |               |
| - Local                                          | (61,262)     | (444,077)    | (448,328)              | (953,667)     |
| - Foreign – Through local reinsurance broker     | 271,751      | (3,996,608)  | (2,366,042)            | (6,090,899)   |
| Net premiums written                             | 166,617,517  | 76,802,341   | 10,292,079             | 253,711,937   |
| Change in unearned premiums, net                 | (57,862,432) | (34,000,377) | (106,348)              | (91,969,157)  |
| Net premiums earned                              | 108,755,085  | 42,801,964   | 10,185,731             | 161,742,780   |
| Reinsurance commissions earned                   | -            | -            | 7,511,425              | 7,511,425     |
| Policy fees                                      | 32,440       | -            | 216,436                | 248,876       |
| Other underwriting income                        | 65,923       | 99,075       | 2,304,942              | 2,469,940     |
| <u>TOTAL REVENUES</u>                            | 108,853,448  | 42,901,039   | 20,218,534             | 171,973,021   |
| <u>UNDERWRITING COSTS</u>                        |              |              |                        |               |
| Gross claims paid                                | (90,624,443) | (31,645,537) | (4,257,064)            | (126,527,044) |
| Reinsurers' share of claims paid                 | 3,252,810    | 1,881,232    | 2,154,998              | 7,289,040     |
| Net claims paid                                  | (87,371,633) | (29,764,305) | (2,102,066)            | (119,238,004) |
| Changes in outstanding claims, net               | 19,221,272   | (5,727,776)  | 1,026,629              | 14,520,125    |
| Changes in claims incurred but not reported, net | 10,594,876   | (766,628)    | 533,214                | 10,361,462    |
| Net claims incurred                              | (57,555,485) | (36,258,709) | (542,223)              | (94,356,417)  |
| Changes in premium deficiency reserve            | (4,620,905)  | 1,655,980    | 405,471                | (2,559,454)   |
| Changes in other technical reserves              | 165,987      | (219,247)    | 385,103                | 331,843       |
| Policy acquisition costs                         | (4,069,036)  | (4,052,711)  | (2,944,050)            | (11,065,797)  |
| Inspection and supervision fees                  | (831,729)    | (1,216,425)  | (190,875)              | (2,239,029)   |
| Third party administrator fees                   | -            | (2,117,723)  | -                      | (2,117,723)   |
| Other underwriting expenses                      | (10,171,011) | (3,071,801)  | -                      | (13,242,812)  |
| <u>TOTAL UNDERWRITING COSTS</u>                  | (77,082,179) | (45,280,636) | (2,886,574)            | (125,249,389) |
| NET UNDERWRITING SURPLUS /(DEFICIT)              | 31,771,269   | (2,379,597)  | 17,331,960             | 46,723,632    |
| Unallocated other operating expenses             |              |              |                        | (65,929,604)  |
| Unallocated investment and other income          |              |              |                        | 17,184,633    |
| DEFICIT FROM INSURANCE OPERATIONS                |              |              |                        | (2,021,339)   |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**30. INSURANCE OPERATING SEGMENTS (CONTINUED)**

| <b>As at December 31, 2022</b>                        | <b>Motor</b>       | <b>Medical</b>    | <b>Property &amp; Casualty</b> | <b>Total Insurance Operations</b> |
|-------------------------------------------------------|--------------------|-------------------|--------------------------------|-----------------------------------|
| <b>ASSETS</b>                                         |                    |                   |                                |                                   |
| Reinsurers' share of unearned premiums                | -                  | -                 | 129,353,386                    | 12,935,386                        |
| Reinsurers' share of outstanding claims               | 762,575            | 2,608,260         | 12,728,578                     | 16,099,413                        |
| Reinsurers' share of claims incurred but not reported | 463,516            | 311,308           | 1,284,741                      | 2,059,565                         |
| Deferred policy acquisition costs                     | 4,884,202          | 1,786,938         | 1,209,862                      | 7,881,002                         |
| <b>Total Segment assets</b>                           | <b>6,110,293</b>   | <b>4,706,506</b>  | <b>28,158,567</b>              | <b>38,975,366</b>                 |
| Unallocated assets                                    |                    |                   |                                | 441,496,064                       |
| <b>Total insurance operations assets</b>              |                    |                   |                                | <b>480,471,430</b>                |
| <b>LIABILITIES</b>                                    |                    |                   |                                |                                   |
| Unearned premiums                                     | 93,044,038         | 23,798,749        | 17,602,043                     | 134,444,830                       |
| Unearned reinsurance commission                       | -                  | -                 | 2,024,836                      | 2,024,836                         |
| Outstanding claims                                    | 39,188,403         | 15,307,253        | 22,460,621                     | 76,956,277                        |
| Claims incurred but not reported                      | 34,103,587         | 5,316,598         | 1,943,884                      | 41,364,069                        |
| Premium deficiency reserve                            | 17,502,915         | -                 | -                              | 17,502,915                        |
| Other technical reserves                              | 2,684,889          | 1,158,647         | 793,975                        | 4,637,511                         |
| <b>Total Segment liabilities</b>                      | <b>186,523,832</b> | <b>45,581,247</b> | <b>44,825,359</b>              | <b>276,930,438</b>                |
| Unallocated liabilities                               |                    |                   |                                | 203,540,992                       |
| <b>Total insurance operations liabilities</b>         |                    |                   |                                | <b>480,471,430</b>                |
| <b>As at December 31, 2021</b>                        |                    |                   |                                |                                   |
|                                                       | <b>Motor</b>       | <b>Medical</b>    | <b>Property &amp; Casualty</b> | <b>Total Insurance Operations</b> |
| <b>ASSETS</b>                                         |                    |                   |                                |                                   |
| Reinsurers' share of unearned premiums                | -                  | -                 | 12,536,185                     | 12,536,185                        |
| Reinsurers' share of outstanding claims               | 4,447,478          | 1,253,075         | 4,661,599                      | 10,362,152                        |
| Reinsurers' share of claims incurred but not reported | 1,338,401          | 344,948           | 2,904,040                      | 4,587,389                         |
| Deferred policy acquisition costs                     | 2,941,576          | 4,608,776         | 1,090,338                      | 8,640,690                         |
| <b>Total Segment assets</b>                           | <b>8,727,455</b>   | <b>6,206,799</b>  | <b>21,192,162</b>              | <b>36,126,416</b>                 |
| Unallocated assets                                    |                    |                   |                                | 410,236,361                       |
| <b>Total insurance operations assets</b>              |                    |                   |                                | <b>446,362,777</b>                |
| <b>LIABILITIES</b>                                    |                    |                   |                                |                                   |
| Unearned premiums                                     | 110,745,182        | 52,532,129        | 17,954,772                     | 181,232,083                       |
| Unearned reinsurance commission                       | -                  | -                 | 1,758,780                      | 1,758,780                         |
| Outstanding claims                                    | 55,741,799         | 15,241,691        | 12,734,027                     | 83,717,517                        |
| Claims incurred but not reported                      | 18,761,410         | 4,195,747         | 4,438,617                      | 27,395,774                        |
| Premium deficiency reserve                            | 18,238,429         | 8,074,361         | -                              | 26,312,790                        |
| Other technical reserves                              | 4,061,167          | 489,248           | 920,013                        | 5,470,428                         |
| <b>Total Segment liabilities</b>                      | <b>207,547,987</b> | <b>80,533,176</b> | <b>37,806,209</b>              | <b>325,887,372</b>                |
| Unallocated liabilities                               |                    |                   |                                | 120,475,405                       |
| <b>Total insurance operations liabilities</b>         |                    |                   |                                | <b>446,362,777</b>                |

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION**

**Statement of Financial Position**

**As at 31 December 2022**

|                                                              | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>       |
|--------------------------------------------------------------|---------------------------------|-------------------------------------|--------------------|
| <b>ASSETS</b>                                                |                                 |                                     |                    |
| Cash and cash equivalents                                    | 199,115,005                     | 55,795,047                          | 254,910,052        |
| Time deposits                                                | 90,000,000                      | 95,000,000                          | 185,000,000        |
| Premiums and reinsurers' receivable, net                     | 85,177,647                      | -                                   | 85,177,647         |
| Reinsurers' share of unearned premiums                       | 12,935,386                      | -                                   | 12,935,386         |
| Reinsurers' share of outstanding claims                      | 16,099,413                      | -                                   | 16,099,413         |
| Reinsurers' share of claims incurred but not reported        | 2,059,565                       | -                                   | 2,059,565          |
| Deferred policy acquisition costs                            | 7,881,002                       | -                                   | 7,881,002          |
| Investments                                                  | 24,998,366                      | 123,703,913                         | 148,702,279        |
| Due from insurance operations                                | -                               | 114,391,640                         | 114,391,640        |
| Prepaid expenses and other assets                            | 37,331,080                      | 5,127,510                           | 42,458,590         |
| Right-of-use assets                                          | 1,334,056                       | -                                   | 1,334,056          |
| Property, equipment and intangible assets, net               | 3,539,910                       | -                                   | 3,539,910          |
| Investment in associate                                      | -                               | 1,134,571                           | 1,134,571          |
| Statutory deposit                                            | -                               | 30,000,000                          | 30,000,000         |
| Statutory deposit investment returns                         | -                               | 2,582,066                           | 2,582,066          |
| <b>TOTAL ASSETS</b>                                          | <b>480,471,430</b>              | <b>427,734,747</b>                  | <b>908,206,177</b> |
| <b>LIABILITIES</b>                                           |                                 |                                     |                    |
| Policyholders and accounts payables                          | 45,357,217                      | -                                   | 45,357,217         |
| Reinsurers' balances payable                                 | 14,995,195                      | -                                   | 14,995,195         |
| Accrued expenses and other liabilities                       | 20,257,398                      | 2,300,427                           | 22,557,825         |
| Lease liabilities                                            | 1,092,627                       | -                                   | 1,092,627          |
| Unearned premiums                                            | 134,444,830                     | -                                   | 134,444,830        |
| Unearned reinsurance commission                              | 2,024,836                       | -                                   | 2,024,836          |
| Outstanding claims                                           | 76,956,277                      | -                                   | 76,956,277         |
| Claims incurred but not reported                             | 41,364,069                      | -                                   | 41,364,069         |
| Premium deficiency reserve                                   | 17,502,915                      | -                                   | 17,502,915         |
| Other technical reserves                                     | 4,637,511                       | -                                   | 4,637,511          |
| Due to shareholders' operations                              | 114,391,640                     | -                                   | 114,391,640        |
| End-of-service benefits                                      | 8,227,890                       | -                                   | 8,227,890          |
| Zakat payable                                                | -                               | 28,072,830                          | 28,072,830         |
| Statutory deposit investment returns                         | -                               | 2,582,066                           | 2,582,066          |
| <b>TOTAL LIABILITIES</b>                                     | <b>481,252,405</b>              | <b>32,955,323</b>                   | <b>514,207,728</b> |
| <b>INSURANCE OPERATIONS' SURPLUS</b>                         |                                 |                                     |                    |
| Accumulated surplus                                          | -                               | -                                   | -                  |
| Fair value reserve on available for sale investments         | (3,752,134)                     | -                                   | (3,752,134)        |
| Accumulated actuarial loss on end-of-service benefits        | 2,971,159                       | -                                   | 2,971,159          |
| <b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b> | <b>480,471,430</b>              | <b>32,955,323</b>                   | <b>513,426,753</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                  |                                 |                                     |                    |
| Share capital                                                | -                               | 300,000,000                         | 300,000,000        |
| Statutory reserve                                            | -                               | 51,584,068                          | 51,584,068         |
| Retained earnings                                            | -                               | 43,975,609                          | 43,975,609         |
| Foreign currency translation adjustments                     | -                               | (350,885)                           | (350,885)          |
| Fair value reserve on available for sale investments         | -                               | (429,368)                           | (429,368)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                            | <b>-</b>                        | <b>394,779,424</b>                  | <b>394,779,424</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>            | <b>480,471,430</b>              | <b>427,734,747</b>                  | <b>908,206,177</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION (CONTINUED)**

| Statement of Financial Position                              | As at 31 December 2021 |                          |                    |
|--------------------------------------------------------------|------------------------|--------------------------|--------------------|
|                                                              | Insurance operations   | Shareholders' operations | Total              |
| <b>ASSETS</b>                                                |                        |                          |                    |
| Cash and cash equivalents                                    | 171,654,855            | 66,232,040               | 237,886,895        |
| Time deposits                                                | 125,118,352            | 208,624,271              | 333,742,623        |
| Premiums and reinsurers' receivable, net                     | 39,887,814             | -                        | 39,887,814         |
| Reinsurers' share of unearned premiums                       | 12,536,185             | -                        | 12,536,185         |
| Reinsurers' share of outstanding claims                      | 10,362,152             | -                        | 10,362,152         |
| Reinsurers' share of claims incurred but not reported        | 4,587,389              | -                        | 4,587,389          |
| Deferred policy acquisition costs                            | 8,640,690              | -                        | 8,640,690          |
| Investments                                                  | 25,044,590             | 131,635,558              | 156,680,148        |
| Due from insurance operations                                | -                      | 36,576,338               | 36,576,338         |
| Prepaid expenses and other assets                            | 38,699,770             | 4,146,615                | 42,846,385         |
| Right-of-use assets                                          | 5,701,429              | -                        | 5,701,429          |
| Property, equipment and intangible assets, net               | 4,129,551              | -                        | 4,129,551          |
| Investment in associate                                      | -                      | 597,960                  | 597,960            |
| Statutory deposit                                            | -                      | 30,000,000               | 30,000,000         |
| Statutory deposit investment returns                         | -                      | 2,353,079                | 2,353,079          |
| <b>TOTAL ASSETS</b>                                          | <b>446,362,777</b>     | <b>480,165,861</b>       | <b>926,528,638</b> |
| <b>LIABILITIES</b>                                           |                        |                          |                    |
| Policyholders and accounts payables                          | 39,815,353             | -                        | 39,815,353         |
| Reinsurers' balances payable                                 | 10,408,950             | -                        | 10,408,950         |
| Accrued expenses and other liabilities                       | 20,920,062             | 2,550,351                | 23,470,413         |
| Lease liabilities                                            | 5,196,480              | -                        | 5,196,480          |
| Unearned premiums                                            | 181,232,083            | -                        | 181,232,083        |
| Unearned reinsurance commission                              | 1,758,780              | -                        | 1,758,780          |
| Outstanding claims                                           | 83,717,517             | -                        | 83,717,517         |
| Claims incurred but not reported                             | 27,395,774             | -                        | 27,395,774         |
| Premium deficiency reserve                                   | 26,312,790             | -                        | 26,312,790         |
| Other technical reserves                                     | 5,470,428              | -                        | 5,470,428          |
| Due to shareholders' operations                              | 36,576,338             | -                        | 36,576,338         |
| End-of-service benefits                                      | 12,311,821             | -                        | 12,311,821         |
| Zakat payable                                                | -                      | 32,841,217               | 32,841,217         |
| Statutory deposit investment returns                         | -                      | 2,353,079                | 2,353,079          |
| <b>TOTAL LIABILITIES</b>                                     | <b>451,116,376</b>     | <b>37,744,647</b>        | <b>488,861,023</b> |
| <b>INSURANCE OPERATIONS' SURPLUS</b>                         |                        |                          |                    |
| Accumulated surplus                                          | -                      | -                        | -                  |
| Fair value reserve on available for sale investments         | (3,705,910)            | -                        | (3,705,910)        |
|                                                              | 21,649                 | -                        | 21,649             |
| Accumulated actuarial loss on end-of-service benefits        | (1,069,338)            | -                        | (1,069,338)        |
| <b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b> | <b>446,362,777</b>     | <b>37,744,647</b>        | <b>484,107,424</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                  |                        |                          |                    |
| Share capital                                                | -                      | 300,000,000              | 300,000,000        |
| Statutory reserve                                            | -                      | 51,584,068               | 51,584,068         |
| Retained earnings                                            | -                      | 83,268,715               | 83,268,715         |
| Foreign currency translation adjustments                     | -                      | 159,784                  | 159,784            |
| Fair value reserve on available for sale investments         | -                      | 7,408,647                | 7,408,647          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                            | <b>-</b>               | <b>442,421,214</b>       | <b>442,421,214</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>            | <b>446,362,777</b>     | <b>480,165,861</b>       | <b>926,528,638</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION (CONTINUED)**

| Statement of Income                                             | 2022                 |                          |                      | 2021                 |                          |                      |
|-----------------------------------------------------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
|                                                                 | Insurance Operations | Shareholders' Operations | Total                | Insurance Operations | Shareholders' Operations | Total                |
| <b>REVENUES</b>                                                 |                      |                          |                      |                      |                          |                      |
| Gross written premiums                                          | 368,839,351          | -                        | 368,839,351          | 290,711,903          | -                        | 290,711,903          |
| Reinsurance premiums ceded                                      | (38,506,784)         | -                        | (38,506,784)         | (29,955,400)         | -                        | (29,955,400)         |
| Excess of loss premiums                                         | (7,976,597)          | -                        | (7,976,597)          | (7,044,566)          | -                        | (7,044,566)          |
| <b>Net premiums written</b>                                     | <b>322,355,970</b>   | <b>-</b>                 | <b>322,355,970</b>   | <b>253,711,937</b>   | <b>-</b>                 | <b>253,711,937</b>   |
| Changes in unearned premiums, net                               | 47,186,454           | -                        | 47,186,454           | (91,969,157)         | -                        | (91,969,157)         |
| <b>Net premiums earned</b>                                      | <b>369,542,424</b>   | <b>-</b>                 | <b>369,542,424</b>   | <b>161,742,780</b>   | <b>-</b>                 | <b>161,742,780</b>   |
| Reinsurance commissions                                         | 6,256,912            | -                        | 6,256,912            | 7,511,425            | -                        | 7,511,425            |
| Policy fees                                                     | 276,634              | -                        | 276,634              | 248,876              | -                        | 248,876              |
| Other underwriting income                                       | 22,139,130           | -                        | 22,139,130           | 2,469,940            | -                        | 2,469,940            |
| <b>TOTAL REVENUES</b>                                           | <b>398,215,100</b>   | <b>-</b>                 | <b>398,215,100</b>   | <b>171,973,021</b>   | <b>-</b>                 | <b>171,973,021</b>   |
| <b>UNDERWRITING COSTS</b>                                       |                      |                          |                      |                      |                          |                      |
| Gross claims paid                                               | (342,938,008)        | -                        | (342,938,008)        | (126,527,044)        | -                        | (126,527,044)        |
| Reinsurers' share of claims paid                                | 6,555,489            | -                        | 6,555,489            | 7,289,040            | -                        | 7,289,040            |
| <b>Net claims paid</b>                                          | <b>(336,382,519)</b> | <b>-</b>                 | <b>(336,382,519)</b> | <b>(119,238,004)</b> | <b>-</b>                 | <b>(119,238,004)</b> |
| Changes in outstanding claims, net                              | 12,498,501           | -                        | 12,498,501           | 14,520,125           | -                        | 14,520,125           |
| Changes in claims incurred but not reported, net                | (16,496,119)         | -                        | (16,496,119)         | 10,361,462           | -                        | 10,361,462           |
| <b>Net claims incurred</b>                                      | <b>(340,380,137)</b> | <b>-</b>                 | <b>(340,380,137)</b> | <b>(94,356,417)</b>  | <b>-</b>                 | <b>(94,356,417)</b>  |
| Changes in premiums deficiency reserve                          | 8,809,875            | -                        | 8,809,875            | (2,559,454)          | -                        | (2,559,454)          |
| Changes in other technical reserves                             | 832,917              | -                        | 832,917              | 331,843              | -                        | 331,843              |
| Policy acquisition costs                                        | (21,735,942)         | -                        | (21,735,942)         | (11,065,797)         | -                        | (11,065,797)         |
| Inspection and supervision fees                                 | (2,581,536)          | -                        | (2,581,536)          | (2,239,029)          | -                        | (2,239,029)          |
| Third party administrator fees                                  | (4,659,775)          | -                        | (4,659,775)          | (2,117,723)          | -                        | (2,117,723)          |
| Other underwriting expenses                                     | (30,351,079)         | -                        | (30,351,079)         | (13,242,812)         | -                        | (13,242,812)         |
| <b>TOTAL UNDERWRITING COSTS</b>                                 | <b>(390,065,677)</b> | <b>-</b>                 | <b>(390,065,677)</b> | <b>(125,249,389)</b> | <b>-</b>                 | <b>(125,249,389)</b> |
| <b>NET UNDERWRITING SURPLUS</b>                                 | <b>8,149,423</b>     | <b>-</b>                 | <b>8,149,423</b>     | <b>46,723,632</b>    | <b>-</b>                 | <b>46,723,632</b>    |
| <b>OTHER OPERATING (EXPENSES)/INCOME</b>                        |                      |                          |                      |                      |                          |                      |
| Doubtful debts provision                                        | (2,622,584)          | -                        | (2,622,584)          | 606,160              | -                        | 606,160              |
| General and administrative expenses                             | (63,714,180)         | (2,588,917)              | (66,303,097)         | (66,535,764)         | (4,758,271)              | (71,294,035)         |
| Investment income                                               | 10,248,294           | 16,374,054               | 26,622,348           | 16,944,078           | 23,871,191               | 40,815,269           |
| Impairment of available for sale investments                    | -                    | (1,031,278)              | (1,031,278)          | -                    | (1,218,783)              | (1,218,783)          |
| Share of profit/(loss) of associate                             | -                    | 536,611                  | 536,611              | -                    | (102,658)                | (102,658)            |
| Other income                                                    | 2,005,745            | -                        | 2,005,745            | 240,555              | -                        | 240,555              |
| <b>TOTAL OTHER OPERATING INCOME/ (EXPENSES)</b>                 | <b>(54,082,725)</b>  | <b>13,290,470</b>        | <b>(40,792,255)</b>  | <b>(48,744,971)</b>  | <b>17,791,479</b>        | <b>(30,953,492)</b>  |
| <b>Total (loss)/income before surplus attribution and zakat</b> | <b>(45,933,302)</b>  | <b>13,290,470</b>        | <b>(32,642,832)</b>  | <b>(2,021,339)</b>   | <b>17,791,479</b>        | <b>15,770,140</b>    |
| <b>Deficit attributable to shareholders</b>                     | <b>45,933,302</b>    | <b>(45,933,302)</b>      | <b>-</b>             | <b>2,021,339</b>     | <b>(2,021,339)</b>       | <b>-</b>             |
| <b>Net (loss)/ income before zakat</b>                          | <b>-</b>             | <b>(32,642,832)</b>      | <b>(32,642,832)</b>  | <b>-</b>             | <b>15,770,140</b>        | <b>15,770,140</b>    |
| <b>Zakat charge</b>                                             | <b>-</b>             | <b>(6,650,274)</b>       | <b>(6,650,274)</b>   | <b>-</b>             | <b>(11,456,333)</b>      | <b>(11,456,333)</b>  |
| <b>Net (loss)/ income after zakat</b>                           | <b>-</b>             | <b>(39,293,106)</b>      | <b>(39,293,106)</b>  | <b>-</b>             | <b>4,313,807</b>         | <b>4,313,807</b>     |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION (CONTINUED)**

| Statement of Comprehensive Income                                                      | 2022                 |                          |                     | 2021                 |                          |                    |
|----------------------------------------------------------------------------------------|----------------------|--------------------------|---------------------|----------------------|--------------------------|--------------------|
|                                                                                        | Insurance Operations | Shareholders' Operations | Total               | Insurance Operations | Shareholders' Operations | Total              |
| Net (loss)/income after zakat                                                          | -                    | (39,293,106)             | (39,293,106)        | -                    | 4,313,807                | 4,313,807          |
| <b>Other comprehensive income/(loss)</b>                                               |                      |                          |                     |                      |                          |                    |
| <i>Items that will be reclassified to statements of income in subsequent years</i>     |                      |                          |                     |                      |                          |                    |
| Available for sale investments:                                                        |                      |                          |                     |                      |                          |                    |
| - Net amounts transferred to statement of income                                       | (700,823)            | (1,363,646)              | (2,064,469)         | (11,034,144)         | (10,051,811)             | (21,085,955)       |
| - Foreign currency translation adjustments                                             | (21,649)             | (510,669)                | (532,318)           | 21,649               | (48,945)                 | (27,296)           |
| - Net change in fair value                                                             | 654,599              | (6,474,369)              | (5,819,770)         | 7,405,959            | 3,689,336                | 11,095,295         |
|                                                                                        | (67,873)             | (8,348,684)              | (8,416,557)         | (3,606,536)          | (6,411,420)              | (10,017,956)       |
| <i>Items that will not be reclassified to statements of income in subsequent years</i> |                      |                          |                     |                      |                          |                    |
| Actuarial gain on end-of-service benefits                                              | 4,040,497            | -                        | 4,040,497           | 1,648,694            | -                        | 1,648,694          |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>                                | <b>3,972,624</b>     | <b>(47,641,790)</b>      | <b>(43,669,166)</b> | <b>(1,957,842)</b>   | <b>(2,097,613)</b>       | <b>(4,055,455)</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of Cash Flows**

|                                                           | 2022                 |                          |                      |
|-----------------------------------------------------------|----------------------|--------------------------|----------------------|
|                                                           | Insurance Operations | Shareholders' Operations | Total                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |                      |                          |                      |
| Loss before zakat                                         | -                    | (32,642,832)             | (32,642,832)         |
| <i>Adjustments for non-cash items:</i>                    |                      |                          |                      |
| Deficit attributable to the shareholders                  | (45,933,302)         | 45,933,302               | -                    |
| Depreciation of property, equipment and intangible assets | 1,546,077            | -                        | 1,546,077            |
| Allowance of doubtful debts provision                     | 2,622,584            | -                        | 2,622,584            |
| Provision for end-of-service benefits                     | 2,588,798            | -                        | 2,588,798            |
| Realized gain from investments                            | (700,823)            | (1,363,646)              | (2,064,469)          |
| Impairment of available for sale investments              | -                    | 1,031,278                | 1,031,278            |
| Share of gain of associate                                | -                    | (536,611)                | (536,611)            |
| Loss on disposal of property and equipment                | 418,823              | -                        | 418,823              |
| Right-of-use depreciation                                 | 1,230,319            | -                        | 1,230,319            |
| Interest expense on lease liability                       | 29,459               | -                        | 29,459               |
| <i>Changes in operating assets and liabilities:</i>       |                      |                          |                      |
| Premiums and reinsurers' receivable                       | (47,912,417)         | -                        | (47,912,417)         |
| Reinsurers' share of unearned premiums                    | (399,201)            | -                        | (399,201)            |
| Reinsurers' share of outstanding claims                   | (5,737,261)          | -                        | (5,737,261)          |
| Reinsurers' share of claims incurred but not reported     | 2,527,824            | -                        | 2,527,824            |
| Deferred policy acquisition costs                         | 759,688              | -                        | 759,688              |
| Prepaid expenses and other assets                         | 1,368,690            | (980,895)                | 387,795              |
| Policyholders and accounts payables                       | 5,541,864            | -                        | 5,541,864            |
| Reinsurers' balances payable                              | 4,586,245            | -                        | 4,586,245            |
| Accrued expenses and other liabilities                    | (662,664)            | (249,924)                | (912,588)            |
| Unearned premiums                                         | (46,787,253)         | -                        | (46,787,253)         |
| Unearned reinsurance commission                           | 266,056              | -                        | 266,056              |
| Outstanding claims                                        | (6,761,240)          | -                        | (6,761,240)          |
| Claims incurred but not reported                          | 13,968,295           | -                        | 13,968,295           |
| Premium deficiency reserve                                | (8,809,875)          | -                        | (8,809,875)          |
| Other technical reserves                                  | (832,917)            | -                        | (832,917)            |
|                                                           | (127,082,231)        | 11,190,672               | (115,891,559)        |
| End-of-service indemnities paid                           | (2,632,232)          | -                        | (2,632,232)          |
| Zakat paid                                                | -                    | (11,418,661)             | (11,418,661)         |
| <b>Net cash used in operating activities</b>              | <b>(129,714,463)</b> | <b>(227,989)</b>         | <b>(129,942,452)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |                      |                          |                      |
| (Additions)/disposals in time deposits                    | 35,118,352           | 113,624,271              | 148,742,623          |
| Additions in investments                                  | (34,021,648)         | (39,390,770)             | (73,412,418)         |
| Proceeds from available for sale investments              | 34,700,822           | 39,306,099               | 74,006,921           |
| Additions in property and equipment                       | (1,422,069)          | -                        | (1,422,069)          |
| Proceeds from disposal of fixed assets                    | 46,810               | -                        | 46,810               |
| <b>Net cash generated from investing activities</b>       | <b>34,422,267</b>    | <b>113,539,600</b>       | <b>147,961,867</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |                      |                          |                      |
| Lease liabilities                                         | (996,258)            | -                        | (996,258)            |
| Due to shareholders' operations                           | 123,748,604          | (123,748,604)            | -                    |
| <b>Net cash (used)/generated in financing activities</b>  | <b>122,752,346</b>   | <b>(123,748,604)</b>     | <b>(996,258)</b>     |
| Net change in cash and cash equivalents                   | 27,460,150           | (10,436,993)             | 17,023,157           |
| Cash and cash equivalents, beginning of the year          | 171,654,855          | 66,232,040               | 237,886,895          |
| <b>Cash and cash equivalents, end of the year</b>         | <b>199,115,005</b>   | <b>55,795,047</b>        | <b>254,910,052</b>   |
| <b>Non-cash transactions:</b>                             |                      |                          |                      |
| Change in fair value of available for sale investments    | (46,224)             | (7,838,015)              | (7,884,239)          |
| Foreign currency translation adjustments                  | (21,649)             | (510,669)                | (532,318)            |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

**31. SUPPLEMENTARY INFORMATION (CONTINUED)**

**Statement of Cash Flows**

|                                                               | 2021                 |                          |                    |
|---------------------------------------------------------------|----------------------|--------------------------|--------------------|
|                                                               | Insurance Operations | Shareholders' Operations | Total              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                      |                          |                    |
| Income before zakat                                           | -                    | 15,770,140               | 15,770,140         |
| <i>Adjustments for non-cash items:</i>                        |                      |                          |                    |
| Surplus attributable to the shareholders                      | (2,021,339)          | 2,021,339                | -                  |
| Depreciation of property and equipment                        | 1,459,936            | -                        | 1,459,936          |
| Reversal of doubtful debts provision                          | (606,160)            | -                        | (606,160)          |
| Provision for end-of-service indemnities                      | 2,605,344            | -                        | 2,605,344          |
| Realized gain from investments                                | (11,034,144)         | (10,051,811)             | (21,085,955)       |
| Impairment of available for sale investments                  | -                    | 1,218,783                | 1,218,783          |
| Share of loss of associate                                    | -                    | 102,658                  | 102,658            |
| Loss on disposal of property and equipment                    | (121,968)            | -                        | (121,968)          |
| Right-of-use depreciation                                     | 1,608,617            | -                        | 1,608,617          |
| Interest expense on lease liability                           | 115,453              | -                        | 115,453            |
| <i>Changes in operating assets and liabilities:</i>           |                      |                          |                    |
| Premiums and reinsurers' receivable                           | (3,014,357)          | -                        | (3,014,357)        |
| Reinsurers' share of unearned premiums                        | 2,713,947            | -                        | 2,713,947          |
| Reinsurers' share of outstanding claims                       | 24,506,721           | -                        | 24,506,721         |
| Reinsurers' share of claims incurred but not reported         | 1,207,201            | -                        | 1,207,201          |
| Deferred policy acquisition costs                             | (4,906,839)          | -                        | (4,906,839)        |
| Prepaid expenses and other assets                             | (15,903,898)         | (1,926,651)              | (17,830,549)       |
| Right-of-use assets                                           | (2,740,619)          | -                        | (2,740,619)        |
| Policyholders and accounts payables                           | 12,935,669           | -                        | 12,935,669         |
| Reinsurers' balances payable                                  | (2,148,467)          | -                        | (2,148,467)        |
| Accrued expenses and other liabilities                        | 8,882,120            | (116,101)                | 8,766,019          |
| Unearned premiums                                             | 89,255,210           | -                        | 89,255,210         |
| Unearned reinsurance commission                               | 151,835              | -                        | 151,835            |
| Outstanding claims                                            | (39,026,846)         | -                        | (39,026,846)       |
| Claims incurred but not reported                              | (11,568,663)         | -                        | (11,568,663)       |
| Premium deficiency reserve                                    | 2,559,454            | -                        | 2,559,454          |
| Other technical reserves                                      | (331,843)            | -                        | (331,843)          |
|                                                               | 54,576,364           | 7,018,357                | 61,594,721         |
| End-of-service indemnities paid                               | (4,657,186)          | -                        | (4,657,186)        |
| Insurance surplus paid                                        | (1,714,863)          | -                        | (1,714,863)        |
| Zakat paid                                                    | -                    | (8,762,953)              | (8,762,953)        |
| <b>Net cash used in operating activities</b>                  | <b>48,204,315</b>    | <b>(1,744,596)</b>       | <b>46,459,719</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                      |                          |                    |
| (Additions)/disposals in time deposits                        | 149,183,776          | (194,118,341)            | (44,934,565)       |
| Additions in investments                                      | (62,793,195)         | (7,511,929)              | (70,305,124)       |
| Proceeds from available for sale investments                  | 97,909,152           | 78,006,493               | 175,915,645        |
| Proceeds from disposal of fixed assets                        | (2,000,125)          | -                        | (2,000,125)        |
| Additions in property and equipment                           | 249,957              | -                        | 249,957            |
| <b>Net cash generated/(used in) from investing activities</b> | <b>182,549,565</b>   | <b>(123,623,777)</b>     | <b>58,925,788</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                      |                          |                    |
| Lease liabilities                                             | 609,455              | -                        | 609,455            |
| Due to shareholders' operations                               | (146,450,897)        | 146,450,897              | -                  |
| <b>Net cash used in financing activities</b>                  | <b>(145,841,442)</b> | <b>146,450,897</b>       | <b>609,455</b>     |
| Net change in cash and cash equivalents                       | 84,912,438           | 21,082,524               | 105,994,962        |
| Cash and cash equivalents, beginning of the year              | 86,742,417           | 45,149,516               | 131,891,933        |
| <b>Cash and cash equivalents, end of the year</b>             | <b>171,654,855</b>   | <b>66,232,040</b>        | <b>237,886,895</b> |
| <b>Non-cash transactions:</b>                                 |                      |                          |                    |
| Change in fair value of available for sale investments        | (3,628,185)          | (6,362,475)              | (9,990,660)        |
| Foreign currency translation adjustments                      | 21,649               | (48,945)                 | (27,296)           |



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2022

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**32. COMPARATIVE FIGURES**

Certain prior year figures have been reclassified to conform to current period presentations.

**33. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 07 March, 2023 (corresponding to 15 Sha'ban 1444H).

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

*Expressed in Saudi Riyals*

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**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**OPINION**

We have audited the financial statements of Buruj Cooperative Insurance Company – a Saudi Joint Stock Company (“the Company”), which comprise the statement of financial position as at 31 December 2023, 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, including 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 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to as “IFRS as endorsed in Kingdom of Saudi Arabia”).

**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 (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:



## INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### KEY AUDIT MATTERS (CONTINUED)

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>Valuation of estimates of present value of cash flows and risk adjustment for non-financial risk - insurance contract liabilities, net</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk under PAA amounts to SR 156.84 million and SR 6 million (2022: SR 155.73 million and SR 4.75 million) respectively as reported in Note 18 to the financial statements, and estimate of present value of cash flows and risk adjustment for non-financial risk under GMM (IDI) amounts to SR 341,886 and SR 166,505 (2022: SR 478,979 and SR 75,596) respectively, as reported in Note 18 to the financial statements.</p> <p>The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes.</li> <li>• Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications, experience, and assessed their independence.</li> <li>• Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</li> <li>• Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cash flows and the risk adjustment for non-financial risk by comparing it to the accounting and other records.</li> <li>• Involved our internal actuarial specialists to assess the Company's methods and assumptions and evaluate the Company's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:</li> </ul> |



## INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### KEY AUDIT MATTERS (CONTINUED)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <p>The present value of future cash flows are based on the best estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data, which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter.</p> <p><i>Refer to notes 2(e) and 3.2 for the critical accounting judgments, estimates and assumptions adopted and accounting policy adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 18 for the movement in insurance contract liabilities.</i></p> | <ul style="list-style-type: none"> <li>i. Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;</li> <li>ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We tested these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</li> <li>iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul> |
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## INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### KEY AUDIT MATTERS (CONTINUED)

##### Adoption of IFRS 17 and IFRS 9

During the year the Company has adopted IFRS 17 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 17), which replaces IFRS 4 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 4) and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The Company has applied the full retrospective approach to each group of insurance contracts.

The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to SAR 27.46 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.

We performed the following procedures:

- Obtained an understanding of the Company's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Company's accounting policies, systems, processes and controls.
- Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the premium allocation approach (PAA)/ general measurement model (GMM) under IFRS 17 was appropriate.
- Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses.
- Evaluated the risk adjustment for non financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting the adjustment.
- Assessed the adequacy of the transition adjustments impact for IFRS 17 and IFRS 9 on the opening retained earnings as at 1 January 2022.



## INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

#### KEY AUDIT MATTERS (CONTINUED)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <p>Further, during the year the Company also adopted IFRS 9 "Financial Instruments", as endorsed in the Kingdom of Saudi Arabia (IFRS 9) which replaces IAS 39 "Financial Instruments: Recognition and Measurement", as endorsed in the Kingdom of Saudi Arabia (IAS 39). The Company has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Company applied a retrospective approach to be in line with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The adoption of IFRS 9 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to SAR 32.66 million. IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Company's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Company's financial assets.</p> <p>Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023, we have considered this as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• Evaluated and assessed management's conclusions regarding the Company's business model for different portfolios of investments and the appropriateness of the Company's determination of ECL under IFRS 9.</li> <li>• Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in the financial statements.</li> <li>• Assessed the Company's methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial and accounting specialists and experts.</li> </ul> |
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|                                                                                                                                                                                                                                                            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p><i>Refer to note 2(e) and 3.2 and 3.3 for critical accounting judgements, estimates and assumptions and accounting policies adopted by the Company. The impact of transition is explained in note 3.2 and note 3.3 to the financial statements.</i></p> |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

#### **OTHER INFORMATION INCLUDED IN THE COMPANY'S 2023 ANNUAL REPORT**

Management is responsible for the other information. Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditors' report.

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

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



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**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.



## **INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

#### **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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





**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS  
(CONTINUED)**

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 auditor's 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.

**For Crowe Solutions for  
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P. O. Box 10504  
Riyadh 11443  
Kingdom of Saudi Arabia

**Abdullah M. Al Azem**  
Certified Public Accountant  
Registration No. 335



**For El Sayed El Ayouty &  
Co.**  
P. O. Box 780  
Jeddah 21421  
Kingdom of Saudi Arabia

**Abdullah Ahmed Balamesh**  
Certified Public Accountant  
Registration No. 345



Date: 17 March 2024  
Corresponding to: Ramadan 7, 1445 H

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

|                                                    | Notes | 31 December<br>2023 | 31 December<br>2022<br>(Restated) | 1 January 2022<br>(Restated) |
|----------------------------------------------------|-------|---------------------|-----------------------------------|------------------------------|
| <b>ASSETS</b>                                      |       |                     |                                   |                              |
| Cash and cash equivalents                          | 4     | 98,964,335          | 255,969,579                       | 237,282,237                  |
| Investments                                        | 5     | 276,865,305         | 187,616,899                       | 192,367,751                  |
| Term deposits                                      | 6     | 270,626,665         | 185,288,375                       | 332,023,678                  |
| Statutory deposit                                  | 7     | 29,998,695          | 29,998,817                        | 29,996,867                   |
| Accrued commission income on statutory deposit     | 7     | 1,093,595           | 2,582,066                         | 2,353,079                    |
| Insurance contract assets                          | 18    | 63,445,619          | -                                 | -                            |
| Reinsurance contract assets                        | 18    | 38,839,915          | 29,719,291                        | 27,866,645                   |
| Right-of-use assets                                | 8     | 273,761             | 1,334,056                         | 5,701,429                    |
| Prepaid expenses and other assets                  | 9     | 51,050,209          | 47,231,316                        | 20,091,712                   |
| Property and equipment, net                        | 10    | 4,167,861           | 3,539,910                         | 4,129,551                    |
| Accrued income                                     |       | 12,312,210          | 8,776,537                         | 8,592,050                    |
| <b>TOTAL ASSETS</b>                                |       | <b>847,638,170</b>  | <b>752,056,846</b>                | <b>860,404,999</b>           |
| <b>LIABILITIES</b>                                 |       |                     |                                   |                              |
| Insurance contract liabilities                     | 18    | 336,580,449         | 279,350,116                       | 353,831,840                  |
| Reinsurance contract liabilities                   | 18    | 13,002,583          | -                                 | -                            |
| Accrued income payable to Insurance Authority      | 7     | 1,093,595           | 2,582,066                         | 2,353,079                    |
| Lease Liabilities                                  | 8     | -                   | 1,092,627                         | 5,196,480                    |
| Accrued expenses and other liabilities             | 11    | 23,491,027          | 13,772,899                        | 11,097,029                   |
| Provision for end of service benefits              | 12    | 7,826,377           | 8,227,890                         | 12,311,821                   |
| Provision for zakat and income tax                 | 15    | 20,807,684          | 26,546,977                        | 32,841,217                   |
| <b>TOTAL LIABILITIES</b>                           |       | <b>402,801,715</b>  | <b>331,572,575</b>                | <b>417,631,466</b>           |
| <b>EQUITY</b>                                      |       |                     |                                   |                              |
| Share capital                                      | 20    | 300,000,000         | 300,000,000                       | 300,000,000                  |
| Statutory reserves                                 | 21    | 55,600,756          | 51,584,068                        | 51,584,068                   |
| Retained earnings                                  |       | 44,215,747          | 28,148,995                        | 57,149,321                   |
| Fair value reserve for investments                 |       | 41,561,174          | 37,780,049                        | 35,109,482                   |
| Actuarial gain / (loss) on end of service benefits |       | 3,458,778           | 2,971,159                         | (1,069,338)                  |
| <b>TOTAL EQUITY</b>                                |       | <b>444,836,455</b>  | <b>420,484,271</b>                | <b>442,773,533</b>           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                |       | <b>847,638,170</b>  | <b>752,056,846</b>                | <b>860,404,999</b>           |

Commitments and contingencies

16 - - -

Board Member  Acting Chief Executive Officer  Chief Financial Officer 

The accompanying notes 1 to 28 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

|                                                                        | Notes | 31 December<br>2023 | 31 December<br>2022<br>(Restated) |
|------------------------------------------------------------------------|-------|---------------------|-----------------------------------|
| <b>REVENUES</b>                                                        |       |                     |                                   |
| Insurance revenue                                                      | 17    | 373,444,279         | 417,102,909                       |
| Insurance service expense                                              | 17    | (337,187,783)       | (442,850,895)                     |
| Net expenses from reinsurance contracts held                           | 17    | (31,270,774)        | (30,779,734)                      |
| <b>Insurance service result</b>                                        |       | <b>4,985,722</b>    | <b>(56,527,720)</b>               |
| Fair value change on FVTPL investments                                 | 5.1   | 1,668,040           | (8,915,517)                       |
| Net gains from sale of investments                                     | 5.1   | 6,884               | 2,064,469                         |
| Interest revenue from financial assets measured at FVTPL               | 5.1   | 21,778,994          | 21,919,809                        |
| Dividend from financial assets measured at FVTPL                       | 5.1   | 5,047,391           | 2,638,070                         |
| Net expected credit loss reversal on financial assets                  | 5.1   | 114,415             | 2,069,040                         |
| Other investment income                                                | 5.1   | 10,021              | 25,029                            |
| <b>Net investment income</b>                                           |       | <b>28,625,745</b>   | <b>19,800,900</b>                 |
| Finance (expense) / income from insurance contracts issued             | 17    | (1,474,382)         | 4,846,370                         |
| Finance income from reinsurance contracts held                         | 17    | (148,630)           | (321,600)                         |
| <b>Net insurance finance (expense) / income</b>                        |       | <b>(1,623,012)</b>  | <b>4,524,770</b>                  |
| <b>Net insurance and investment results</b>                            |       | <b>31,988,455</b>   | <b>(32,202,050)</b>               |
| Other operating expenses                                               | 14    | (19,811,023)        | (14,798,396)                      |
| Other income net                                                       |       | 13,402,711          | 23,124,541                        |
| <b>Net profit / (loss) attributed to the shareholders before zakat</b> |       | <b>25,580,143</b>   | <b>(23,875,905)</b>               |
| Provision for zakat & tax                                              | 15    | (5,496,703)         | (5,124,422)                       |
| <b>NET PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT</b>  |       | <b>20,083,440</b>   | <b>(29,000,327)</b>               |
| <b>Earning/(Loss) per share (Basic and diluted)</b>                    | 22    | <b>0.67</b>         | <b>(0.97)</b>                     |

*Sau A. Bary*  
Board Member

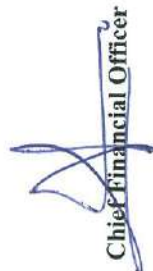
*[Signature]*  
Acting-Chief Executive Officer

*[Signature]*  
Chief Financial Officer

The accompanying notes 1 to 28 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

|                                                                                          | 31 December<br>2023 | 31 December<br>2022<br>(Restated) |
|------------------------------------------------------------------------------------------|---------------------|-----------------------------------|
| <b>NET INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS<br/>AFTER ZAKAT AND INCOME TAX</b> | <b>20,083,440</b>   | <b>(29,000,327)</b>               |
| Items that will not be reclassified to the statement of<br>income in subsequent year     |                     |                                   |
| Actuarial gain on end of service benefits                                                | 487,619             | 4,040,497                         |
| Net changes in fair value of investments measured at FVOCI – equity instruments          | 3,781,125           | 2,670,567                         |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>                                  | <b>24,352,184</b>   | <b>(22,289,263)</b>               |

 **Board Member**       **Acting-Chief Executive Officer**  
 **Chief Financial Officer**

The accompanying notes 1 to 28 form part of these financial statements.



**BURULI COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

**31 December 2023**

|                                                                               | Share capital      | Statutory reserves | Retained earnings | Fair value reserve for investments | Actuarial gain / (loss) on end of service benefits | Foreign currency translation adjustments | Total equity       |
|-------------------------------------------------------------------------------|--------------------|--------------------|-------------------|------------------------------------|----------------------------------------------------|------------------------------------------|--------------------|
| Balance at the beginning of the year (Restated)                               | 300,000,000        | 51,584,068         | 28,148,995        | 37,780,049                         | 2,971,159                                          | -                                        | 420,484,271        |
| <b>Total comprehensive income for the year:</b>                               |                    |                    |                   |                                    |                                                    |                                          |                    |
| Net income for the year attributable to the shareholders                      | -                  | -                  | 20,083,440        | -                                  | -                                                  | -                                        | 20,083,440         |
| Statutory reserves                                                            | -                  | 4,016,688          | (4,016,688)       | -                                  | -                                                  | -                                        | -                  |
| Fair value of investments measured at FVOCI – equity instruments              | -                  | -                  | -                 | 3,781,125                          | -                                                  | -                                        | 3,781,125          |
| Actuarial gain / (loss) on retirement benefit schemes                         | -                  | -                  | -                 | -                                  | 487,619                                            | -                                        | 487,619            |
| <b>Total comprehensive income for the year attributed to the shareholders</b> | -                  | 4,016,688          | 16,066,752        | 3,781,125                          | 487,619                                            | -                                        | 24,352,185         |
| <b>Balance at the end of the year</b>                                         | <b>300,000,000</b> | <b>55,600,756</b>  | <b>44,215,747</b> | <b>41,561,174</b>                  | <b>3,458,778</b>                                   | <b>-</b>                                 | <b>444,836,455</b> |

**31 December 2022**

|                                                                                                  | Share capital      | Statutory reserves | Retained earnings | Fair value reserve for investments | Actuarial gain / (loss) on retirement benefit schemes | Foreign currency translation adjustments | Total equity       |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------|------------------------------------|-------------------------------------------------------|------------------------------------------|--------------------|
| Balance at the beginning of the year as previously reported (Audited)                            | 300,000,000        | 51,584,068         | 83,268,715        | 3,702,737                          | (1,069,338)                                           | 181,433                                  | 437,667,615        |
| Transition adjustment on initial application of IFRS 17, net of Zakat and tax                    | -                  | -                  | (27,458,960)      | -                                  | -                                                     | -                                        | (27,458,960)       |
| Transition adjustment on initial application of IFRS 09, net of Zakat and tax                    | -                  | -                  | 1,254,475         | 31,406,745                         | -                                                     | -                                        | 32,661,220         |
| Transition adjustment on initial application of IFRS 09, net of Zakat and tax for Hajj and umrah | -                  | -                  | -                 | -                                  | -                                                     | -                                        | -                  |
| Transition adjustment on initial application of IFRS 09, net of Zakat and tax IDI                | -                  | -                  | (99,328)          | -                                  | -                                                     | -                                        | (99,328)           |
| Restatement of exchange gain/loss                                                                | -                  | -                  | 2,986             | -                                  | -                                                     | -                                        | 2,986              |
| Balance as at 1 January 2022 (Restated)                                                          | 300,000,000        | 51,584,068         | 57,149,321        | 35,109,482                         | (1,069,338)                                           | (181,433)                                | 442,773,533        |
| Net loss for the year attributable to the shareholders                                           | -                  | -                  | (29,000,326)      | -                                  | -                                                     | -                                        | (29,000,326)       |
| Fair value of investments measured at FVOCI – equity instruments                                 | -                  | -                  | -                 | 2,670,567                          | -                                                     | -                                        | 2,670,567          |
| Actuarial gain / (loss) on retirement benefit schemes                                            | -                  | -                  | -                 | -                                  | 4,040,497                                             | -                                        | 4,040,497          |
| <b>Total comprehensive income for the year attributed to the shareholders</b>                    | -                  | -                  | (29,000,326)      | 2,670,567                          | 4,040,497                                             | -                                        | (22,289,262)       |
| <b>Balance at the end of the year (Restated)</b>                                                 | <b>300,000,000</b> | <b>51,584,068</b>  | <b>28,148,995</b> | <b>37,780,049</b>                  | <b>2,971,159</b>                                      | <b>-</b>                                 | <b>420,484,271</b> |

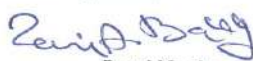
*Naif B. Al-Badri*  
**Board Member**  
**Acting-Chief Executive Officer**  
**Chief Financial Officer**

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



**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023  
Expressed in Saudi Riyals**

|                                                              | Notes | 31 December 2023  | 31 December 2022<br>(Restated) |
|--------------------------------------------------------------|-------|-------------------|--------------------------------|
| <b>Cash Flow From Operating Activities</b>                   |       |                   |                                |
| Gross income / (loss) for the year before zakat and tax      |       | 25,580,143        | (23,875,905)                   |
| <b>Adjustments For Non-Cash Items:</b>                       |       |                   |                                |
| Depreciation and amortisation of property and equipment      | 10    | 1,555,988         | 1,546,077                      |
| Net fair value (gain) / loss on sale of investments at FVTPL | 5     | (1,668,040)       | 8,915,517                      |
| Interest revenue from financial assets measured at FVTPL     |       | (21,778,994)      | (21,919,809)                   |
| Dividend from financial assets measured at FVTPL             |       | (5,047,391)       | (2,638,070)                    |
| Finance charges on lease liabilities                         | 8     | 7,373             | 29,459                         |
| Other investment income                                      |       | (10,021)          | (25,029)                       |
| Gain on disposal of property and equipment                   |       | -                 | 418,823                        |
| Provision for employee benefits obligation                   | 12    | 1,188,781         | 2,588,798                      |
| Depreciation of Right-of-use assets                          | 8     | 1,060,295         | 1,230,319                      |
| Expected credit loss/(gain)                                  |       | (114,415)         | (2,069,040)                    |
|                                                              |       | 773,719           | (35,798,860)                   |
| <b>Changes In Operating Assets And Liabilities:</b>          |       |                   |                                |
| Prepaid expenses and other assets                            |       | (3,818,893)       | (27,139,603)                   |
| Accrued expenses and other liabilities                       |       | 9,718,128         | 2,675,870                      |
| Insurance contracts net                                      |       | (6,215,286)       | (74,481,724)                   |
| Reinsurance contracts net                                    |       | 3,881,959         | (1,852,646)                    |
| <b>Cash Generated/(used) from Operating Activities</b>       |       |                   |                                |
| Zakat and income tax paid                                    |       | 3,565,907         | (136,596,963)                  |
| Payment of employee benefits obligation                      | 12    | (11,235,996)      | (11,418,662)                   |
| Net Cash used in Operating Activities                        |       | (1,102,675)       | (2,632,232)                    |
|                                                              |       | (7,999,045)       | (150,647,857)                  |
| <b>Cash Flow From Investing Activities</b>                   |       |                   |                                |
| Additions to property and equipment                          | 10    | (2,185,155)       | (1,422,069)                    |
| Proceeds from disposal fixed assets                          |       | 1,216             | 46,810                         |
| Additions to investments                                     | 5     | (89,344,380)      | (76,077,516)                   |
| Investment income received                                   |       | 23,702,890        | 25,034,688                     |
| Proceeds from sale of investments                            | 5     | 5,511,562         | 74,006,921                     |
| Additions / (disposal) in term deposits                      |       | (85,592,332)      | 148,742,623                    |
| Net Cash (used in) / Generated from Investing Activities     |       | (147,906,199)     | 170,331,457                    |
| <b>Cash Flow From Financing Activities</b>                   |       |                   |                                |
| Lease liabilities paid                                       | 8     | (1,100,000)       | (996,258)                      |
| Net Cash used in Financing Activities                        |       | (1,100,000)       | (996,258)                      |
| Net (decrease) / increase in cash and cash equivalents       |       | (157,005,244)     | 18,687,342                     |
| Cash and cash equivalents at the beginning of the year       |       | 255,969,579       | 237,282,237                    |
| <b>Cash And Cash Equivalents At The End Of The year</b>      |       | <b>98,964,335</b> | <b>255,969,579</b>             |
| <b>Supplemental Schedule Of Non-Cash Information</b>         |       |                   |                                |
| Foreign currency translation adjustments                     |       | -                 | -                              |

  
Board Member

  
Acting-Chief Executive Officer

  
Chief Financial Officer

The accompanying notes 1 to 28 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**  
Expressed in Saudi Riyals

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**1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Central Bank ("SAMA") issued a formal approval to transact insurance business. The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed. During the year the Insurance Authority (IA) has been established by royal decree as insurance industry regulator. Previously regulations issued by SAMA will be upheld until IA issued updated regulations.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

**2. BASIS OF PREPERATION**

**a) Statement Of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia (KSA) by Saudi Organization for Chartered & Professional Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws. The company adopted IFRS 17 insurance contracts and IFRS 9 financial instruments endorsed in the Kingdom of Saudi Arabia and this resulting to the material accounting policies as described in note 3.

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 25 to these financial statements provides the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations, separately. The accounting policies adopted for the insurance and shareholders' operations are in accordance with IFRS as endorsed by SOCPA.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments, investment in associates which is accounted for under the equity method and employees' end of service benefits at present value.

**b) Functional and presentational currency**

The functional and presentation currency of the Company is Saudi Arabian Riyals.

**c) Fiscal year**

The Company follows a fiscal year ending December 31.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023  
Expressed in Saudi Riyals**

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**2. BASIS OF PREPARATION (continued)**

**d) Joint operations "Inherent Defects Insurance" (IDI)**

The company accounts for its rights and obligations of the joint operations by recognized its assets, its liabilities, its revenue and its expenses @ 1.28% of company interest in joint operations (IDI) according to the IFRS 11.

**e) Critical accounting judgements, estimates and assumptions**

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

**i) Insurance Contracts**

The company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

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

**ii) Fair value of financial instruments**

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

**iii) Expense Attribution**

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense levels adjusted for inflation, where applicable. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. Claims settlement-related expenses are allocated based on the claims costs.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
Expressed in Saudi Riyals

**2. BASIS OF PREPARATION (continued)**

**iv) Calculation of Expected Credit Losses**

Expected credit losses (ECL) utilize model based assumptions to estimate impairment of financial assets and premiums receivable. ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

As for expected credit losses for reinsures and contracts held, the company adopted a specific model for reinsures where by credit losses are estimated based on the credit ratings of reinsures, as published by international rating agencies at the measurement date.

**3. MATERIAL ACCOUNTING POLICIES**

The material accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the company as explained below:

**3.1 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

IFRS 17 – Insurance contracts (refer 3.2)

IFRS 9 – Financial instruments (refer 3.3)

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.

These amendments had not any material impact on the financial statements of the Company.

**New accounting standards, amendments and IFRS interpretations that are not yet effective:**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January, 2024 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements. These amendments are not expected to have material impact in the Company's Financial Statements.

- Amendments to IAS 1 'Presentation of Financial Statements' – Non-current liabilities with covenants and classification of liabilities as current or non-current

- Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions

- Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' Supplier Finance Arrangements

- Amendments to IAS 27 – Lack of exchangeability

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

- IFRS S1, 'General requirements for disclosure of sustainability-related financial information

- IFRS S2, 'Climate-related disclosures'

**3.2 IFRS 17 - Insurance Contracts**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after January 1, 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17. Differences arising from the adoption of IFRS 17 were recognised in retained earnings as of January 1, 2022.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA) other than the "Inherent Defects Insurance" (IDI) joint operations business explained in note 2(b) and in company financial statements company accounts for its rights and obligations of the joint operations by recognized its assets, its liabilities, its revenue and its expenses @ 1.28% of company interest in joint operations (IDI) according to FRS 11. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

**(a) Initial and subsequent measurement**

For groups of issued contracts, a group should be recognized at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognized on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
  - Date the entity recognizes an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.
- Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and LIC, comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

**BURJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023  
Expressed in Saudi Rials**

**3. MATERIAL ACCOUNTING POLICIES (continued)  
3.2 IFRS 17 - Insurance Contracts (continued)**

**(b) Liability for Remaining Coverage "LRC"**

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

- Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- Decreased for insurance acquisition cash flows paid in the period;
- Decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- 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.

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.

The company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

**(c) Liability for Incurred Claims "LIC"**

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM.

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 fulfills 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 statement of financial position 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, geographical area, as well as claim type. Loss ratio is the ratio of total claims incurred to total premiums earned for the portfolio.

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. Likewise, the company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The company will regularly monitor the time it takes in settling claims from the date they are incurred. The company has elected the accounting policy choice to present entire insurance finance income or expense for the period in the statement of income.

**(d) Contract boundary**

The company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups 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 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 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. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

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

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**3. MATERIAL ACCOUNTING POLICIES (continued)  
3.2 IFRS 17 - Insurance Contracts (continued)**

**(e) Insurance acquisition costs**

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition costs fall under the insurance service expense. The company amortizes the insurance acquisition costs over the contract period.

**(f) Directly attributable expenses**

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfilment of the groups of insurance contracts. The company allocates the attributable costs based on a number of drivers. Attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

**(g) Other operating expenses**

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

The company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

**(h) Insurance revenue**

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

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

**(i) Insurance service expenses**

Insurance service expenses include the following:

- Incurred claims for the period.
- Other incurred directly attributable expenses.
- Insurance acquisition cash flows amortization.
- Changes that relate to past service – changes in the FCF relating to the LIC.
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

**(j) Onerous contract**

The company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to the statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

**k) Transition to IFRS 17**

The adoption of IFRS 17 will have a material impact on the accounting and reporting of financial figures of insurance and reinsurance contracts due to the change in recognition, measurement and presentation methodology as detailed in these interim financial statements. Below is a summary of the impact on assets and liabilities:

|                                                        | 1-Jan-2022<br>SR    |
|--------------------------------------------------------|---------------------|
| <b>Drivers of Changes in</b>                           |                     |
| ECL Impact on Premium Receivables under LFRC           | 2,456,697           |
| Loss Component, net of contribution deficiency reserve | (32,264,081)        |
| Additional DAC related to Insurance Contract Liability | 1,431,481           |
| Discounting Impact on LIC                              | 2,210,334           |
| Risk adjustments, net                                  | (4,141,766)         |
| NPR Impact on Claims Reinsurance Receivables under AIC | 3,236,433           |
| Discounting Impact on AIC                              | (388,162)           |
| Other Differences                                      | 104                 |
| <b>Total Impact</b>                                    | <b>(27,458,960)</b> |

In the statement of financial position, deferred acquisition costs and premiums receivable will no longer be presented separately as they are part of liability for remaining coverage. Similarly, receivables from reinsurers and deferred reinsurance commissions will be part of reinsurance assets. This will lead to the reduction of assets and liabilities previously presented.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 - Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement as of January 1, 2023. Consequently, the Company applied IFRS 9 retrospectively. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of January 1, 2022. The nature of the changes in accounting policies can be summarised, as follows:

**(a) Classification and Measurement**

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

The IAS 39 measurement categories for financial assets (fair value through profit or loss, available for sale, held-to-maturity, and loans and receivables, at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through income/loss for valuation and on derecognition;
- Debt instruments at amortised cost; and
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

**(b) Impairment Calculation**

Under IFRS 9, the expected credit loss ("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 material 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 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.

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

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

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

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

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of probability of default.

IFRS 9 impairment applies to financial instruments that are not measured at Fair Value through the statement of income. Equity instruments measured at fair value through other comprehensive income are also excluded from the purview of impairment.

**(c) Credit impaired financial asset**

At each reporting date, the company assesses whether financial assets carried at amortised 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.

- 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

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.3 IFRS 9 - Financial Instruments (continued)**

**d) Transition to IFRS 9**

The changes to the impairment calculation methodology adopted based on IFRS 9 resulted in changes to the valuation and carrying amounts of investments were market value is not applied. Additionally, the investment in Najm Company for Insurance Services, which was previously valued at cost of SR 1.9 million was independently valued as of year-end 2021 (SR 37.0 million), and again as of year-end 2022 (SR 39.7 million). The carrying amount of Najm (initially held at cost of SR 1.9 million) was adjusted retroactively retrospectively to coincide with the adoption of IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities, as at 1 January 2022:

|                                | IAS 39<br>31-Dec-2021    |                    | IFRS 9<br>1-Jan-2022                                   |                    |
|--------------------------------|--------------------------|--------------------|--------------------------------------------------------|--------------------|
|                                | Measurement category     | SR                 | Measurement category                                   | SR                 |
| Cash and cash equivalents      | Amortised cost           | 237,886,895        | Amortised cost                                         | 237,206,233        |
| Time Deposits                  | Amortised cost           | 333,742,623        | Amortised cost                                         | 331,997,996        |
| Mutual Funds                   | Available for sale (AFS) | 65,827,812         | Fair Value through profit and loss (FVTPL) (Mandatory) | 65,827,812         |
| Quoted equity shares           | AFS                      | 12,702,270         | Fair Value through profit and loss (FVTPL) (Mandatory) | 12,702,270         |
| Un-Quoted Local equity shares  | AFS                      | 1,923,078          | FVTOCI                                                 | 1,923,078          |
| Quoted Fixed Income Securities | AFS                      | 71,226,988         | Fair Value through profit and loss (FVTPL) (Mandatory) | 71,226,988         |
| Sukuks                         | Held to Maturity (HTM)   | 5,000,000          | Amortized cost                                         | 4,980,161          |
| Statutory Deposit              | Amortised cost           | 30,000,000         | Amortised cost                                         | 29,996,869         |
| <b>Total</b>                   |                          | <b>758,309,666</b> |                                                        | <b>755,861,407</b> |

The financial assets which have been meet the criteria of held to collect business model are measured through profit and loss. There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9.

Below is a summary of the overall impact for IFRS 9

|                                                                                     | 1-Jan-2022<br>SR  |
|-------------------------------------------------------------------------------------|-------------------|
| Classification of financial assets Fair value reserves transferred to P&L (PH & SH) | 3,702,737         |
| ECL Impairment effect on Cash & Cash Equivalent – Retained Earnings Impact          | (680,662)         |
| ECL Impairment effect on Time Deposit – Retained Earnings Impact                    | (1,744,628)       |
| ECL Impairment effect on Sukuk – Retained Earnings Impact                           | (19,839)          |
| ECL Impairment effect on Statutory Deposit – Retained Earnings Impact               | (3,133)           |
| Najm Valuation Impact on Fair Value Reserve Through OCI                             | 35,109,482        |
| Reversal of opening through OCI                                                     | (3,702,737)       |
| <b>Total Impact for IFRS 9</b>                                                      | <b>32,661,220</b> |

**Transition Impact of the adoption IFRS 17 and IFRS 9**

The overall impact on the Company's equity as a result of the adoption of IFRS 17 and IFRS 9 is as follows:

|                      | 1-Jan-2022<br>SR |
|----------------------|------------------|
| <b>Transition To</b> |                  |
| IFRS 17              | (27,458,960)     |
| IFRS 9               | 32,661,220       |
| <b>Total Impact</b>  | <b>5,202,260</b> |



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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES**

As stated in note 2, these financial statements are prepared in accordance with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. The company has adopted IFRS 17 and IFRS 9 from its effective date i.e. 1 January 2023.

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, the company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39. Presentation changes in the statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, insurance operations' surplus payable, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, claims handling reserve are presented together by portfolio on a single line called insurance contract liabilities. The previously reported line items: reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, reinsurers' balances payable are presented together by portfolio on a single line called reinsurance contract assets or liabilities. The transition is as following:

| Reconciliation of statement of financial position as at 1st January 2022. |                    |                     |                     |                    |                                                              |
|---------------------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------|--------------------------------------------------------------|
| 1st January<br>2021 Pre-<br>Adoption<br>IFRS17 & IFRS9                    | IFRS17             |                     | IFRS9               |                    | 1st January<br>2022 Post<br>Adoption of<br>IFRS17 &<br>IFRS9 |
|                                                                           | Reclassification   | Remeasurement       | Reclassification    | Remeasurement      |                                                              |
| <b>ASSETS</b>                                                             |                    |                     |                     |                    |                                                              |
| Cash and cash equivalents                                                 | 237,886,895        | -                   | -                   | (604,658)          | 237,282,237                                                  |
| Time deposits                                                             | 333,742,623        | -                   | -                   | (1,718,945)        | 332,023,678                                                  |
| Premiums and reinsurers' receivable, net                                  | 39,887,814         | (39,887,814)        | -                   | -                  | -                                                            |
| Reinsurers' share of unearned premiums                                    | 12,536,185         | (12,536,185)        | -                   | -                  | -                                                            |
| Reinsurers' share of outstanding claims                                   | 10,362,152         | (10,362,152)        | -                   | -                  | -                                                            |
| Reinsurers' share of claims incurred but not reported                     | 4,587,389          | (4,587,389)         | -                   | -                  | -                                                            |
| Deferred policy acquisition costs                                         | 8,640,690          | (8,640,690)         | -                   | -                  | -                                                            |
| Investments                                                               | 156,680,148        | -                   | 597,960             | 35,089,643         | 192,367,751                                                  |
| Accrued income                                                            | -                  | -                   | 8,592,050           | -                  | 8,592,050                                                    |
| Insurance contract assets                                                 | -                  | -                   | -                   | -                  | -                                                            |
| Reinsurance contract assets                                               | -                  | 27,847,685          | 18,960              | -                  | 27,866,645                                                   |
| Prepaid expenses and other assets                                         | 42,846,385         | (14,165,690)        | 3,067               | (8,592,050)        | 20,091,712                                                   |
| Right-of-use assets                                                       | 5,701,429          | -                   | -                   | -                  | 5,701,429                                                    |
| Property, equipment and intangible assets, net                            | 4,129,551          | -                   | -                   | -                  | 4,129,551                                                    |
| Investment in associate                                                   | 597,960            | -                   | (597,960)           | -                  | -                                                            |
| Statutory deposit                                                         | 30,000,000         | -                   | -                   | (3,133)            | 29,996,867                                                   |
| Accrued income on statutory deposits                                      | 2,353,079          | -                   | -                   | -                  | 2,353,079                                                    |
| <b>TOTAL ASSETS</b>                                                       | <b>889,952,300</b> | <b>(62,332,235)</b> | <b>22,027</b>       | <b>-</b>           | <b>860,404,999</b>                                           |
| <b>LIABILITIES</b>                                                        |                    |                     |                     |                    |                                                              |
| Policyholders and accounts payables                                       | 39,815,353         | (39,815,353)        | -                   | -                  | -                                                            |
| Reinsurers' balances payable                                              | 10,408,950         | (10,408,950)        | -                   | -                  | -                                                            |
| Accrued expenses and other liabilities                                    | 23,470,413         | (12,421,327)        | 47,943              | -                  | 11,097,029                                                   |
| Lease liabilities                                                         | 5,196,480          | -                   | -                   | -                  | 5,196,480                                                    |
| Unearned premiums                                                         | 181,232,083        | (181,232,083)       | -                   | -                  | -                                                            |
| Unearned reinsurance commission                                           | 1,758,780          | (1,758,780)         | -                   | -                  | -                                                            |
| Outstanding claims                                                        | 83,717,517         | (83,717,517)        | -                   | -                  | -                                                            |
| Claims incurred but not reported                                          | 27,395,774         | (27,395,774)        | -                   | -                  | -                                                            |
| Insurance Contract Liabilities                                            | -                  | 326,200,767         | 27,631,073          | -                  | 353,831,840                                                  |
| Premium deficiency reserve                                                | 26,312,790         | (26,312,790)        | -                   | -                  | -                                                            |
| Other technical reserves                                                  | 5,470,428          | (5,470,428)         | -                   | -                  | -                                                            |
| End-of-service benefits                                                   | 12,311,821         | -                   | -                   | -                  | 12,311,821                                                   |
| Zakat payable                                                             | 32,841,217         | -                   | -                   | -                  | 32,841,217                                                   |
| Accrued income on statutory deposits                                      | 2,353,079          | -                   | -                   | -                  | 2,353,079                                                    |
| <b>TOTAL LIABILITIES</b>                                                  | <b>452,284,685</b> | <b>(62,332,235)</b> | <b>27,679,016</b>   | <b>-</b>           | <b>417,631,466</b>                                           |
| <b>INSURANCE OPERATIONS' SURPLUS</b>                                      | <b>(3,705,910)</b> | <b>-</b>            | <b>-</b>            | <b>3,705,910</b>   | <b>-</b>                                                     |
| Fair value reserve on available for sale investments                      | 21,649             | -                   | -                   | (21,649)           | -                                                            |
| Foreign currency translation adjustments                                  | (1,069,338)        | 1,069,338           | -                   | -                  | -                                                            |
| <b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b>              | <b>447,531,086</b> | <b>(61,262,897)</b> | <b>27,679,016</b>   | <b>3,684,261</b>   | <b>417,631,466</b>                                           |
| <b>EQUITY</b>                                                             |                    |                     |                     |                    |                                                              |
| Share capital                                                             | 300,000,000        | -                   | -                   | -                  | 300,000,000                                                  |
| Statutory reserve                                                         | 51,584,068         | -                   | -                   | -                  | 51,584,068                                                   |
| Retained earnings                                                         | 83,268,715         | -                   | (27,656,989)        | 3,884,170          | 57,149,321                                                   |
| Foreign currency translation adjustments                                  | 159,784            | -                   | -                   | (159,784)          | -                                                            |
| Accumulated actuarial loss on end-of-service benefits                     | -                  | (1,069,338)         | -                   | -                  | (1,069,338)                                                  |
| Fair value reserve on available for sale investments                      | 7,408,647          | -                   | -                   | (7,408,647)        | 35,109,482                                                   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                         | <b>442,421,214</b> | <b>(1,069,338)</b>  | <b>(27,656,989)</b> | <b>(3,684,261)</b> | <b>442,773,533</b>                                           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                         | <b>889,952,300</b> | <b>(62,332,235)</b> | <b>22,027</b>       | <b>-</b>           | <b>860,404,999</b>                                           |

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)**

| Reconciliation of statement of financial position as at 31 December 2022. |                    |                     |                     |                    |                                         |
|---------------------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------------------------------|
| 2022 Pre-Adoption<br>IFRS17 & IFRS9                                       | IFRS17             |                     | IFRS9               |                    | 2022 Post Adoption of<br>IFRS17 & IFRS9 |
|                                                                           | Reclassification   | Remeasurement       | Reclassification    | Remeasurement      |                                         |
| <b>ASSETS</b>                                                             |                    |                     |                     |                    |                                         |
| Cash and cash equivalents                                                 | 254,910,052        | -                   | -                   | 1,059,527          | 255,969,579                             |
| Time deposits                                                             | 185,000,000        | -                   | -                   | 288,375            | 185,288,375                             |
| Premiums and reinsurers' receivable, net                                  | 85,177,647         | (85,177,647)        | -                   | -                  | -                                       |
| Reinsurers' share of unearned premiums                                    | 12,935,386         | (12,935,386)        | -                   | -                  | -                                       |
| Reinsurers' share of outstanding claims                                   | 16,099,413         | (16,099,413)        | -                   | -                  | -                                       |
| Reinsurers' share of claims incurred but not reported                     | 2,059,565          | (2,059,565)         | -                   | -                  | -                                       |
| Deferred policy acquisition costs                                         | 7,881,002          | (7,881,002)         | -                   | -                  | -                                       |
| Investments                                                               | 148,702,279        | -                   | 1,134,571           | 37,780,049         | 187,616,899                             |
| Accrued income                                                            | -                  | -                   | 8,776,537           | -                  | 8,776,537                               |
| Insurance contract assets                                                 | -                  | -                   | -                   | -                  | -                                       |
| Reinsurance contract assets                                               | -                  | 27,151,632          | 2,567,660           | -                  | 29,719,292                              |
| Prepaid expenses and other assets                                         | 42,458,590         | 13,411,931          | 137,331             | (8,776,537)        | 47,231,315                              |
| Right-of-use assets                                                       | 1,334,056          | -                   | -                   | -                  | 1,334,056                               |
| Property, equipment and intangible assets, net                            | 3,539,910          | -                   | -                   | -                  | 3,539,910                               |
| Investment in associate                                                   | 1,134,571          | -                   | (1,134,571)         | -                  | -                                       |
| Statutory deposit                                                         | 30,000,000         | -                   | -                   | (1,183)            | 29,998,817                              |
| Accrued income on statutory deposits                                      | 2,582,066          | -                   | -                   | -                  | 2,582,066                               |
| <b>TOTAL ASSETS</b>                                                       | <b>793,814,537</b> | <b>(83,589,450)</b> | <b>2,704,991</b>    | <b>-</b>           | <b>752,056,846</b>                      |
| <b>LIABILITIES</b>                                                        |                    |                     |                     |                    |                                         |
| Policyholders and accounts payables                                       | 45,357,217         | (45,357,217)        | -                   | -                  | -                                       |
| Reinsurers' balances payable                                              | 14,995,195         | (14,995,195)        | -                   | -                  | -                                       |
| Accrued expenses and other liabilities                                    | 22,557,827         | (9,245,847)         | 460,919             | -                  | 13,772,899                              |
| Lease liabilities                                                         | 1,092,627          | -                   | -                   | -                  | 1,092,627                               |
| Unearned premiums                                                         | 134,444,830        | (134,444,830)       | -                   | -                  | -                                       |
| Unearned reinsurance commission                                           | 2,024,836          | (2,024,836)         | -                   | -                  | -                                       |
| Outstanding claims                                                        | 76,956,277         | (76,956,277)        | -                   | -                  | -                                       |
| Claims incurred but not reported                                          | 41,364,069         | (41,364,069)        | -                   | -                  | -                                       |
| Insurance Contract Liabilities                                            | -                  | 262,939,245         | 16,410,871          | -                  | 279,350,116                             |
| Premium deficiency reserve                                                | 17,502,915         | (17,502,915)        | -                   | -                  | -                                       |
| Other technical reserves                                                  | 4,637,509          | (4,637,509)         | -                   | -                  | -                                       |
| End-of-service benefits                                                   | 8,227,890          | -                   | -                   | -                  | 8,227,890                               |
| Zakat payable                                                             | 28,072,830         | -                   | (1,525,853)         | -                  | 26,546,977                              |
| Accrued income on statutory deposits                                      | 2,582,066          | -                   | -                   | -                  | 2,582,066                               |
| <b>TOTAL LIABILITIES</b>                                                  | <b>399,816,088</b> | <b>(83,589,450)</b> | <b>15,345,937</b>   | <b>-</b>           | <b>331,572,575</b>                      |
| <b>INSURANCE OPERATIONS' SURPLUS</b>                                      |                    |                     |                     |                    |                                         |
| Fair value reserve on available for sale investments                      | (3,752,134)        | -                   | -                   | 3,752,134          | -                                       |
| Foreign currency translation adjustments                                  | -                  | -                   | -                   | -                  | -                                       |
| Foreign currency translation adjustments                                  | 2,971,159          | (2,971,159)         | -                   | -                  | -                                       |
| <b>TOTAL LIABILITIES &amp; INSURANCE OPERATIONS' SURPLUS</b>              | <b>399,035,113</b> | <b>(86,560,609)</b> | <b>15,345,937</b>   | <b>3,752,134</b>   | <b>331,572,575</b>                      |
| <b>EQUITY</b>                                                             |                    |                     |                     |                    |                                         |
| Share capital                                                             | 300,000,000        | -                   | -                   | -                  | 300,000,000                             |
| Statutory reserve                                                         | 51,584,068         | -                   | -                   | -                  | 51,584,068                              |
| Retained earnings                                                         | 43,975,609         | -                   | (12,640,946)        | (4,532,387)        | 28,148,995                              |
| Foreign currency translation adjustments                                  | (350,885)          | -                   | -                   | 350,885            | -                                       |
| Accumulated actuarial loss on end-of-service benefits                     | -                  | 2,971,159           | -                   | -                  | 2,971,159                               |
| Fair value reserve on available for sale investments                      | (429,368)          | -                   | -                   | 429,368            | 37,780,049                              |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                         | <b>394,779,424</b> | <b>2,971,159</b>    | <b>(12,640,946)</b> | <b>(3,752,134)</b> | <b>420,484,271</b>                      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                         | <b>793,814,537</b> | <b>(83,589,450)</b> | <b>2,704,991</b>    | <b>-</b>           | <b>752,056,846</b>                      |

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)**

| Statement of Income reconciliation for the year 31 December 2022.   |                      |                      |                    |                    |                                               |
|---------------------------------------------------------------------|----------------------|----------------------|--------------------|--------------------|-----------------------------------------------|
| 2022 Pre-Adoption<br>IFRS17 & IFRS9                                 | IFRS17               |                      | IFRS9              |                    | 2022 Post<br>Adoption of<br>IFRS17 &<br>IFRS9 |
|                                                                     | Reclassification     | Remeasurement        | Reclassification   | Remeasurement      |                                               |
| <b>REVENUES</b>                                                     |                      |                      |                    |                    |                                               |
| Gross written premiums                                              | 368,839,351          | (368,839,351)        | -                  | -                  | -                                             |
| Reinsurance premiums ceded                                          | (38,506,784)         | 38,506,784           | -                  | -                  | -                                             |
| Excess of loss premiums                                             | (7,976,597)          | 7,976,597            | -                  | -                  | -                                             |
| <b>Net premiums written</b>                                         | <b>322,355,970</b>   | <b>(322,355,970)</b> | -                  | -                  | -                                             |
| Changes in unearned premiums, net                                   | 47,186,454           | (47,186,454)         | -                  | -                  | -                                             |
| <b>Net premiums earned</b>                                          | <b>369,542,424</b>   | <b>(369,542,424)</b> | -                  | -                  | -                                             |
| Reinsurance commissions earned                                      | 6,256,912            | (6,256,912)          | -                  | -                  | -                                             |
| Policy fees                                                         | 276,634              | (276,634)            | -                  | -                  | -                                             |
| Other underwriting income                                           | 22,139,130           | (22,139,130)         | -                  | -                  | -                                             |
| <b>TOTAL REVENUES</b>                                               | <b>398,215,100</b>   | <b>(398,215,100)</b> | -                  | -                  | -                                             |
| Insurance revenue                                                   | -                    | 415,985,852          | 1,117,057          | -                  | 417,102,909                                   |
| Insurance service expense                                           | -                    | (457,631,347)        | 14,780,452         | -                  | (442,850,895)                                 |
| Net expenses from reinsurance contracts held                        | -                    | (30,835,803)         | 56,069             | -                  | (30,779,734)                                  |
| <b>Net insurance service result</b>                                 | <b>-</b>             | <b>(72,481,299)</b>  | <b>15,953,579</b>  | <b>-</b>           | <b>(56,527,720)</b>                           |
| <b>UNDERWRITING COSTS</b>                                           |                      |                      |                    |                    |                                               |
| Gross claims paid                                                   | (342,938,008)        | 342,938,008          | -                  | -                  | -                                             |
| Reinsurers' share of claims paid                                    | 6,555,489            | (6,555,489)          | -                  | -                  | -                                             |
| <b>Net claims paid</b>                                              | <b>(336,382,519)</b> | <b>336,382,519</b>   | -                  | -                  | -                                             |
| Changes in outstanding claims, net                                  | 12,498,501           | (12,498,501)         | -                  | -                  | -                                             |
| Changes in claims incurred but not reported, net                    | (16,496,119)         | 16,496,119           | -                  | -                  | -                                             |
| <b>Net claims incurred</b>                                          | <b>(340,380,137)</b> | <b>340,380,137</b>   | -                  | -                  | -                                             |
| Changes in premium deficiency reserve                               | 8,809,875            | (8,809,875)          | -                  | -                  | -                                             |
| Changes in other technical reserves                                 | 832,917              | (832,917)            | -                  | -                  | -                                             |
| Policy acquisition costs                                            | (21,735,942)         | 21,735,942           | -                  | -                  | -                                             |
| Inspection and supervision fees                                     | (2,581,536)          | 2,581,536            | -                  | -                  | -                                             |
| Third party administrator fees                                      | (4,659,775)          | 4,659,775            | -                  | -                  | -                                             |
| Other underwriting expenses                                         | (30,351,079)         | 30,351,079           | -                  | -                  | -                                             |
| <b>TOTAL UNDERWRITING COSTS</b>                                     | <b>(390,065,677)</b> | <b>390,065,677</b>   | -                  | -                  | -                                             |
| <b>NET UNDERWRITING SURPLUS</b>                                     | <b>8,149,423</b>     | <b>(8,149,423)</b>   | -                  | -                  | -                                             |
| <b>OTHER OPERATING (EXPENSES)</b>                                   |                      |                      |                    |                    |                                               |
| (Allowance) / reversal of doubtful debts provision                  | (2,622,584)          | 2,622,584            | -                  | -                  | -                                             |
| General and administrative expenses                                 | (66,303,097)         | 66,303,097           | -                  | -                  | -                                             |
| Investment income                                                   | 26,622,348           | -                    | (8,931,877)        | 41,389             | 17,731,860                                    |
| Impairment of available for sale investments                        | (1,031,278)          | -                    | 1,031,278          | 2,069,040          | 2,069,040                                     |
| Share of profit / (loss) of associate                               | 536,611              | -                    | (536,611)          | -                  | -                                             |
| <b>Net of investment income</b>                                     | <b>(42,798,000)</b>  | <b>68,925,681</b>    | <b>(8,437,210)</b> | <b>2,110,429</b>   | <b>19,800,900</b>                             |
| Other income                                                        | 2,005,745            | (2,005,745)          | -                  | -                  | -                                             |
| Finance expense from insurance contracts issued                     | -                    | -                    | 4,846,370          | -                  | 4,846,370                                     |
| Finance income from reinsurance contracts held                      | -                    | -                    | (321,600)          | -                  | (321,600)                                     |
| <b>Net insurance finance expense</b>                                | <b>-</b>             | <b>-</b>             | <b>4,524,770</b>   | <b>-</b>           | <b>4,524,770</b>                              |
| <b>Net insurance and investment results</b>                         | <b>(40,792,255)</b>  | <b>(5,561,363)</b>   | <b>20,478,349</b>  | <b>(8,437,210)</b> | <b>(32,202,050)</b>                           |
| Other operating expenses                                            | -                    | (14,798,396)         | -                  | -                  | (14,798,396)                                  |
| Other income / (expense) net                                        | -                    | 23,124,541           | -                  | -                  | 23,124,541                                    |
| <b>Total other expense and other income</b>                         | <b>-</b>             | <b>8,326,145</b>     | <b>-</b>           | <b>-</b>           | <b>8,326,145</b>                              |
| <b>TOTAL OTHER OPERATING EXPENSES, NET</b>                          | <b>(40,792,255)</b>  | <b>2,764,782</b>     | <b>20,478,349</b>  | <b>(8,437,210)</b> | <b>(23,875,905)</b>                           |
| <b>Total (loss)/income before surplus attribution and zakat</b>     | <b>(32,642,832)</b>  | <b>(5,384,641)</b>   | <b>20,478,349</b>  | <b>(8,437,210)</b> | <b>(23,875,905)</b>                           |
| Surplus attributed to the insurance operations                      | -                    | -                    | -                  | -                  | -                                             |
| <b>(Loss)/income attributed to the shareholders before zakat</b>    | <b>(32,642,832)</b>  | <b>(5,384,641)</b>   | <b>20,478,349</b>  | <b>(8,437,210)</b> | <b>(23,875,905)</b>                           |
| Zakat charge                                                        | (6,650,274)          | -                    | 1,525,852          | -                  | (5,124,422)                                   |
| <b>Net (loss)/income attributed to the shareholders after zakat</b> | <b>(39,293,106)</b>  | <b>(5,384,641)</b>   | <b>22,004,201</b>  | <b>(8,437,210)</b> | <b>(29,000,327)</b>                           |

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

**3.5 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

**3.6 Fixtures, furniture and equipment**

Fixtures, furniture and equipment are initially recorded in the statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

**3.7 Accrued and other liabilities**

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

**3.8 Provisions**

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

**3.9 Provision for end-of-service benefits**

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 the expected future wages 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 it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income.

**3.10 Leases Right-of-use Assets**

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

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

**3.11 Leases Liabilities**

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

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**4.CASH AND CASH EQUIVALENTS**

|                                | <b>31 December 2023</b>         |                                     |                   |
|--------------------------------|---------------------------------|-------------------------------------|-------------------|
|                                | <i>Insurance<br/>operations</i> | <i>Shareholders'<br/>Operations</i> | <i>Total</i>      |
|                                | <i>SR</i>                       | <i>SR</i>                           | <i>SR</i>         |
| Cash in hand and in Banks      | 29,585,237                      | 4,835,267                           | 34,420,504        |
| Short term deposits            | 34,996,914                      | 29,556,292                          | 64,553,206        |
| Impact of Expected Credit Loss | (2,764)                         | (6,611)                             | (9,375)           |
| <b>Ending balance</b>          | <b>64,579,387</b>               | <b>34,384,948</b>                   | <b>98,964,335</b> |

|                                | <b>31 December 2022</b>         |                                     |                    |
|--------------------------------|---------------------------------|-------------------------------------|--------------------|
|                                | <b>(Restated)</b>               |                                     |                    |
|                                | <i>Insurance<br/>operations</i> | <i>Shareholders'<br/>Operations</i> | <i>Total</i>       |
|                                | <i>SR</i>                       | <i>SR</i>                           | <i>SR</i>          |
| Cash in hand and in Banks      | 200,516,144                     | 35,093,550                          | 235,609,694        |
| Short term deposits            | -                               | 20,701,497                          | 20,701,497         |
| Impact of Expected Credit Loss | (7,691)                         | (333,921)                           | (341,612)          |
| <b>Ending balance</b>          | <b>200,508,453</b>              | <b>55,461,126</b>                   | <b>255,969,579</b> |

|                                | <b>01 January 2022</b>          |                                     |                    |
|--------------------------------|---------------------------------|-------------------------------------|--------------------|
|                                | <b>(Restated)</b>               |                                     |                    |
|                                | <i>Insurance<br/>operations</i> | <i>Shareholders'<br/>Operations</i> | <i>Total</i>       |
|                                | <i>SR</i>                       | <i>SR</i>                           | <i>SR</i>          |
| Cash in hand and in Banks      | 170,789,069                     | 66,232,040                          | 237,021,109        |
| Short term deposits            | 941,790                         | -                                   | 941,790            |
| Impact of Expected Credit Loss | (21,781)                        | (658,881)                           | (680,662)          |
| <b>Ending balance</b>          | <b>171,709,078</b>              | <b>65,573,159</b>                   | <b>237,282,237</b> |

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**5. INVESTMENTS**

Investments comprise of the following:

|                                                             | 31 December 2023     |                             | 31 December 2022 (Restated) |                      | 1 January 2022 (Restated)   |                    |
|-------------------------------------------------------------|----------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|--------------------|
|                                                             | Insurance operations | Shareholders' Operations SR | Total                       | Insurance operations | Shareholders' Operations SR | Total              |
| Investments in Quoted fixed income securities at FVTPL      | -                    | 61,654,331                  | 61,654,331                  | -                    | 65,459,680                  | 65,459,680         |
| Investments in Unquoted Equity carried at Fair value at OCI | -                    | 43,484,252                  | 43,484,252                  | -                    | 39,703,127                  | 39,703,127         |
| Investments in associate                                    | -                    | 896,293                     | 896,293                     | -                    | 1,134,571                   | 1,134,571          |
| Investments in Equity carried at FVTPL                      | -                    | 14,167,626                  | 14,167,626                  | -                    | 12,528,405                  | 12,528,405         |
| Investments in Funds carried at FVTPL                       | 51,588,818           | 105,073,985                 | 156,662,803                 | 24,998,366           | 43,792,750                  | 68,791,116         |
| <b>Total</b>                                                | <b>51,588,818</b>    | <b>225,276,487</b>          | <b>276,865,305</b>          | <b>24,998,366</b>    | <b>162,618,533</b>          | <b>187,616,899</b> |
|                                                             |                      |                             |                             | <b>25,044,590</b>    | <b>167,323,161</b>          | <b>192,367,751</b> |

- The movement in investments is as follows:

|                                                  | Insurance operations |                             |
|--------------------------------------------------|----------------------|-----------------------------|
|                                                  | 31 December 2023     | 31 December 2022 (Restated) |
|                                                  |                      | 1 January 2022 (Restated)   |
|                                                  |                      | SR                          |
| Beginning balance                                | 24,998,366           | 25,044,590                  |
| Additions                                        | 25,000,000           | 34,021,648                  |
| Disposals                                        | -                    | (34,700,822)                |
| Changes in fair value FVTPL                      | 49,998,366           | 24,365,416                  |
| Change in fair value FVTOCI                      | 1,605,110            | 654,599                     |
| Foreign currency translation adjustments         | -                    | -                           |
| Movement in allowance for expected credit losses | (14,658)             | (21,649)                    |
| <b>Ending balance</b>                            | <b>51,588,818</b>    | <b>25,044,590</b>           |

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**5.INVESTMENTS (continued)**

|                                   | <b>Shareholders' operations</b> |                                        |                                      |
|-----------------------------------|---------------------------------|----------------------------------------|--------------------------------------|
|                                   | <b>31 December<br/>2023</b>     | <b>31 December<br/>2022 (Restated)</b> | <b>1 January 2022<br/>(Restated)</b> |
|                                   | <b>SR</b>                       | <b>SR</b>                              | <b>SR</b>                            |
| Beginning balance                 | <b>161,483,962</b>              | 166,725,201                            | 199,708,514                          |
| Additions                         | <b>64,344,380</b>               | 39,390,770                             | 7,511,929                            |
| Disposals                         | <b>(5,511,562)</b>              | (39,306,099)                           | (78,006,493)                         |
| Impairments                       | <b>-</b>                        | (1,031,278)                            | (1,218,783)                          |
|                                   | <b>220,316,780</b>              | 165,778,594                            | 127,995,167                          |
| Changes in fair value FVTPL       | <b>62,930</b>                   | (6,474,369)                            | 3,689,336                            |
| Change in fair value FVTOCI       | <b>3,781,125</b>                | 2,690,406                              | 35,089,643                           |
| Foreign currency translation      | <b>219,359</b>                  | (510,669)                              | (48,945)                             |
| <b>Ending balance</b>             | <b>224,380,194</b>              | 161,483,962                            | 166,725,201                          |
| <b>Movement in investments in</b> |                                 |                                        |                                      |
| Beginning balance                 | <b>1,134,571</b>                | 597,960                                | 700,618                              |
| Share of profit /(loss)           | <b>(238,278)</b>                | 536,611                                | (102,658)                            |
| <b>Ending balance</b>             | <b>896,293</b>                  | 1,134,571                              | 597,960                              |
| <b>Total Ending balance</b>       | <b>225,276,487</b>              | 162,618,533                            | 167,323,161                          |

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 materially different from their carrying amounts included in the financial information.

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.

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**5.INVESTMENTS (continued)**

**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 a reasonable approximation to fair value:

| 31 December 2023                      | Fair value |             |            |             |
|---------------------------------------|------------|-------------|------------|-------------|
|                                       | Level 1    | Level 2     | Level 3    | Total       |
|                                       | SR         |             |            |             |
|                                       |            |             |            |             |
| - Equities                            | 26,441,976 | -           | 43,484,252 | 69,926,228  |
| - Fixed income securities             | 61,654,331 | -           | -          | 61,654,331  |
| - Units in investment and real estate | -          | 144,388,453 | -          | 144,388,453 |
| Total                                 | 88,096,307 | 144,388,453 | 43,484,252 | 275,969,012 |

| 31 December 2022 (Restated)           | Fair value |            |            |             |
|---------------------------------------|------------|------------|------------|-------------|
|                                       | Level 1    | Level 2    | Level 3    | Total       |
|                                       | SR         |            |            |             |
|                                       |            |            |            |             |
| - Equities                            | 12,528,405 | -          | 39,703,127 | 52,231,532  |
| - Fixed income securities             | 65,459,680 | -          | -          | 65,459,680  |
| - Units in investment and real estate | -          | 68,791,116 | -          | 68,791,116  |
| Total                                 | 77,988,085 | 68,791,116 | 39,703,127 | 186,482,328 |

| 1 January 2022 (Restated)             | Fair value |            |            |             |
|---------------------------------------|------------|------------|------------|-------------|
|                                       | Level 1    | Level 2    | Level 3    | Total       |
|                                       | SR         |            |            |             |
|                                       |            |            |            |             |
| - Equities                            | 12,702,270 | -          | 37,012,721 | 49,714,991  |
| - Fixed income securities             | 76,226,988 | -          | -          | 76,226,988  |
| - Units in investment and real estate | -          | 65,827,812 | -          | 65,827,812  |
| Total                                 | 88,929,258 | 65,827,812 | 37,012,721 | 191,769,791 |

**5.1 Details of investment income for the year as following:**

|                                        | 31 December 2023     |                          |            |
|----------------------------------------|----------------------|--------------------------|------------|
|                                        | Insurance operations | Shareholders' operations | Total      |
| Fair value change on FVTPL             | 1,605,110            | 62,930                   | 1,668,040  |
| Net gains from sale of investments     | -                    | 6,884                    | 6,884      |
| Interest revenue from financial assets | 11,741,764           | 10,037,230               | 21,778,994 |
| Dividend from financial assets         | 507,203              | 4,540,188                | 5,047,391  |
| Net expected credit loss reversal on   | (21,429)             | 135,844                  | 114,415    |
| Other investment income                | 28,941               | (18,920)                 | 10,021     |
| Total                                  | 13,861,589           | 14,764,156               | 28,625,745 |

|                                        | 31 December 2022 (Restated) |                          |             |
|----------------------------------------|-----------------------------|--------------------------|-------------|
|                                        | Insurance operations        | Shareholders' operations | Total       |
| Fair value change on FVTPL             | (46,224)                    | (8,869,293)              | (8,915,517) |
| Net gains from sale of investments     | 700,823                     | 1,363,646                | 2,064,469   |
| Interest revenue from financial assets | 9,547,471                   | 12,372,338               | 21,919,809  |
| Dividend from financial assets         | -                           | 2,638,070                | 2,638,070   |
| Net expected credit loss reversal on   | 76,650                      | 1,992,390                | 2,069,040   |
| Other investment income / (loss)       | (913)                       | 25,942                   | 25,029      |
| Total                                  | 10,277,807                  | 9,523,093                | 19,800,900  |



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**6. TERM DEPOSITS**

Time deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 5.57% per annum (2022: 5.65% 2021: 4.09%). The movement in time deposits are as:

|                                      | <b>31 December 2023</b>            |                                 |                      |
|--------------------------------------|------------------------------------|---------------------------------|----------------------|
|                                      | <b>Insurance operations</b>        | <b>Shareholders' operations</b> | <b>Total</b>         |
| Beginning balance                    | <b>90,306,871</b>                  | <b>94,981,504</b>               | <b>185,288,375</b>   |
| Additions                            | <b>170,880,707</b>                 | <b>100,000,000</b>              | <b>270,880,707</b>   |
| Disposals                            | <b>(90,306,871)</b>                | <b>(94,981,504)</b>             | <b>(185,288,375)</b> |
| Allowance for expected credit losses | <b>(44,201)</b>                    | <b>(209,841)</b>                | <b>(254,042)</b>     |
| <b>Ending balance</b>                | <b>170,836,506</b>                 | <b>99,790,159</b>               | <b>270,626,665</b>   |
|                                      | <b>31 December 2022 (Restated)</b> |                                 |                      |
|                                      | <b>Insurance operations</b>        | <b>Shareholders' operations</b> | <b>Total</b>         |
| Beginning balance                    | 125,063,542                        | 206,960,136                     | 332,023,678          |
| Additions                            | 90,324,721                         | 95,000,000                      | 185,324,721          |
| Disposals                            | (125,063,542)                      | (206,960,136)                   | (332,023,678)        |
| Allowance for expected credit losses | (17,850)                           | (18,496)                        | (36,346)             |
| <b>Ending balance</b>                | <b>90,306,871</b>                  | <b>94,981,504</b>               | <b>185,288,375</b>   |
|                                      | <b>1 January 2022 (Restated)</b>   |                                 |                      |
|                                      | <b>Insurance operations</b>        | <b>Shareholders' operations</b> | <b>Total</b>         |
| Beginning balance                    | 274,302,128                        | 14,505,930                      | 288,808,058          |
| Additions                            | 98,453,816                         | 208,549,557                     | 307,003,373          |
| Disposals                            | (247,611,909)                      | (14,431,216)                    | (262,043,125)        |
| Allowance for expected credit losses | (80,493)                           | (1,664,135)                     | (1,744,628)          |
| <b>Ending balance</b>                | <b>125,063,542</b>                 | <b>206,960,136</b>              | <b>332,023,678</b>   |

**6.1 Movement in allowance for expected credit losses for the year is as follows:**

|                                                                 | <b>31 December 2023</b>            |                                 |                |
|-----------------------------------------------------------------|------------------------------------|---------------------------------|----------------|
|                                                                 | <b>Insurance operations</b>        | <b>Shareholders' operations</b> | <b>Total</b>   |
| Beginning balance                                               | <b>17,850</b>                      | <b>18,496</b>                   | <b>36,346</b>  |
| Allowance for expected credit losses made for the year          | <b>26,351</b>                      | <b>191,345</b>                  | <b>217,696</b> |
| <b>Ending balance</b>                                           | <b>44,201</b>                      | <b>209,841</b>                  | <b>254,042</b> |
|                                                                 | <b>31 December 2022 (Restated)</b> |                                 |                |
|                                                                 | <b>Insurance operations</b>        | <b>Shareholders' operations</b> | <b>Total</b>   |
| Beginning balance                                               | 80,493                             | 1,664,135                       | 1,744,628      |
| Allowance for expected credit losses reversed made for the year | (62,643)                           | (1,645,639)                     | (1,708,282)    |
| <b>Ending balance</b>                                           | <b>17,850</b>                      | <b>18,496</b>                   | <b>36,346</b>  |

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**7. STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local bank designated by IA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of IA.

Accrued income on the statutory deposit amounting to SAR: 1,093,595 (2022: 2,582,066, 2021: SR 2,353,079) has been presented in the statement of financial position.

**8. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

|                                                         | <b>31 December<br/>2023</b> | 31 December<br>2022 (Restated) | 1 January 2022<br>(Restated) |
|---------------------------------------------------------|-----------------------------|--------------------------------|------------------------------|
|                                                         | <b>SR</b>                   | <b>SR</b>                      | <b>SR</b>                    |
| <b>Cost</b>                                             |                             |                                |                              |
| As at 1 January                                         | <b>2,740,619</b>            | 9,468,149                      | 7,946,701                    |
| Additions                                               | -                           | -                              | 2,740,619                    |
| Deletions                                               | -                           | (6,727,530)                    | (1,219,171)                  |
| As at 31 December                                       | <b>2,740,619</b>            | 2,740,619                      | 9,468,149                    |
| <b>Accumulated Depreciation</b>                         |                             |                                |                              |
| As at 1 January                                         | <b>1,406,563</b>            | 3,766,720                      | 3,377,274                    |
| Charge                                                  | <b>1,060,295</b>            | 1,230,319                      | 1,608,617                    |
| Disposals                                               | -                           | (3,590,476)                    | (1,219,171)                  |
| As at 31 December                                       | <b>2,466,858</b>            | 1,406,563                      | 3,766,720                    |
| <b>Carrying Value as at 31 December</b>                 | <b>273,761</b>              | 1,334,056                      | 5,701,429                    |
| <b>Lease liabilities as at year end are as follows:</b> |                             |                                |                              |
| Non-current portion of lease liability                  | -                           | -                              | 2,956,727                    |
| Current portion of lease liability                      | -                           | 1,092,627                      | 2,239,753                    |
|                                                         | -                           | 1,092,627                      | 5,196,480                    |

The total interest expense on lease liabilities recognized during the year ended 31 December 2023 is SAR 7,373 (2022: 29,459, 2021: 115,453).

**9. PREPAID EXPENSES AND OTHER ASSETS**

|                                      | <b>31 December 2023</b>         |                                     |                     |
|--------------------------------------|---------------------------------|-------------------------------------|---------------------|
|                                      | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>        |
|                                      | <b>SR</b>                       | <b>SR</b>                           | <b>SR</b>           |
| VAT receivable                       | 27,676,871                      | -                                   | 27,676,871          |
| Receivable against Co. insurer Pools | 17,010,072                      | -                                   | 17,010,072          |
| Prepaid expenses                     | 927,821                         | 121,634                             | 1,049,455           |
| Others                               | 5,313,811                       | -                                   | 5,313,811           |
| <b>Ending balance</b>                | <b>50,928,575</b>               | <b>121,634</b>                      | <b>51,050,209</b>   |
|                                      | <b>31 December 2022</b>         |                                     |                     |
|                                      | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>        |
|                                      | <b>SR</b>                       | <b>SR</b>                           | <b>SR</b>           |
| VAT receivable                       | 24,116,884                      | -                                   | 24,116,884          |
| Receivable against Co. insurer Pools | 16,329,150                      | -                                   | 16,329,150          |
| Prepaid expenses                     | 607,646                         | 96,143                              | 703,789             |
| Others                               | 6,081,493                       | -                                   | 6,081,493           |
| <b>Ending balance</b>                | <b>47,135,173</b>               | <b>96,143</b>                       | <b>47,231,316</b>   |
|                                      | <b>1 January 2022</b>           |                                     |                     |
|                                      | <b>Insurance<br/>SR</b>         | <b>Shareholders'<br/>SR</b>         | <b>Total<br/>SR</b> |
| VAT receivable                       | 17,116,163                      | -                                   | 17,116,163          |
| Receivable against Co. insurer Pools | -                               | -                                   | -                   |
| Prepaid expenses                     | 203,568                         | -                                   | 203,568             |
| Others                               | 2,164,836                       | 607,145                             | 2,771,981           |
| <b>Ending balance</b>                | <b>19,484,567</b>               | <b>607,145</b>                      | <b>20,091,712</b>   |

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**10. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, NET**

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

|                                    |           |                                          |            |
|------------------------------------|-----------|------------------------------------------|------------|
| Leasehold improvements             | 6-7 years | Furniture, fixtures and office equipment | 6-10 years |
| Computer equipment and intangibles | 4 years   | Motor vehicles                           | 4 years    |

| 31 December 2023                 |                        |                                          |                                    |                |                  |
|----------------------------------|------------------------|------------------------------------------|------------------------------------|----------------|------------------|
|                                  | Leasehold improvements | Furniture, fixtures and office equipment | Computer equipment and intangibles | Motor vehicles | Total            |
|                                  | SAR                    | SAR                                      | SAR                                | SAR            | SAR              |
| <b>Cost:</b>                     |                        |                                          |                                    |                |                  |
| Beginning balance                | 787,966                | 2,199,920                                | 13,145,649                         | 44,001         | 16,177,536       |
| Additions                        | 212,640                | 108,602                                  | 1,863,913                          | -              | 2,185,155        |
| Disposals                        | -                      | -                                        | (3,599)                            | -              | (3,599)          |
| Closing balance                  | 1,000,606              | 2,308,522                                | 15,005,963                         | 44,001         | 18,359,092       |
| <b>Accumulated depreciation:</b> |                        |                                          |                                    |                |                  |
| Beginning balance                | 483,425                | 1,040,857                                | 11,069,347                         | 43,997         | 12,637,626       |
| Charge for the year              | 75,496                 | 242,795                                  | 1,237,697                          | -              | 1,555,988        |
| Disposals                        | -                      | -                                        | (2,383)                            | -              | (2,383)          |
| Closing balance                  | 558,921                | 1,283,652                                | 12,304,661                         | 43,997         | 14,191,231       |
| <b>Net book value</b>            | <b>441,685</b>         | <b>1,024,870</b>                         | <b>2,701,302</b>                   | <b>4</b>       | <b>4,167,861</b> |

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**10. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS, NET (continued)**

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

|                                    |           |                                          |            |
|------------------------------------|-----------|------------------------------------------|------------|
| Leasehold improvements             | 6-7 years | Furniture, fixtures and office equipment | 6-10 years |
| Computer equipment and intangibles | 4 years   | Motor vehicles                           | 4 years    |

|                           | 31 December 2022       |                                          |                                    |                |             |
|---------------------------|------------------------|------------------------------------------|------------------------------------|----------------|-------------|
|                           | Leasehold improvements | Furniture, fixtures and office equipment | Computer equipment and intangibles | Motor vehicles | Total       |
|                           | SAR                    | SAR                                      | SAR                                | SAR            | SAR         |
| Cost:                     |                        |                                          |                                    |                |             |
| Beginning balance         | 2,660,432              | 3,837,361                                | 12,157,714                         | 44,001         | 18,699,508  |
| Additions                 | 161,639                | 21,750                                   | 1,238,680                          | -              | 1,422,069   |
| Disposals                 | (2,034,105)            | (1,659,191)                              | (250,745)                          | -              | (3,944,041) |
| Closing balance           | 787,966                | 2,199,920                                | 13,145,649                         | 44,001         | 16,177,536  |
| Accumulated depreciation: |                        |                                          |                                    |                |             |
| Beginning balance         | 2,255,299              | 2,052,795                                | 10,217,866                         | 43,997         | 14,569,957  |
| Charge for the year       | 110,114                | 349,403                                  | 1,086,560                          | -              | 1,546,077   |
| Disposals                 | (1,881,988)            | (1,361,341)                              | (235,079)                          | -              | (3,478,408) |
| Closing balance           | 483,425                | 1,040,857                                | 11,069,347                         | 43,997         | 12,637,626  |
| Net book value:           | 304,541                | 1,159,063                                | 2,076,302                          | 4              | 3,539,910   |

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**11.ACCRUED EXPENSES AND OTHER LIABILITIES**

| <b>31 December 2023</b>                    |                                 |                                     |                   |
|--------------------------------------------|---------------------------------|-------------------------------------|-------------------|
|                                            | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>      |
|                                            | <b>SR</b>                       | <b>SR</b>                           | <b>SR</b>         |
| Board of directors and committee's payable | -                               | 2,205,990                           | 2,205,990         |
| Employees' related accruals and payables   | 335,091                         | -                                   | 335,091           |
| Payable to brokers and agents              | 1,411,953                       | -                                   | 1,411,953         |
| Others                                     | 19,537,993                      | -                                   | 19,537,993        |
| <b>Ending balance</b>                      | <b>21,285,037</b>               | <b>2,205,990</b>                    | <b>23,491,027</b> |

| <b>31 December 2022</b>                    |                                 |                                     |                   |
|--------------------------------------------|---------------------------------|-------------------------------------|-------------------|
|                                            | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>      |
|                                            | <b>SR</b>                       | <b>SR</b>                           | <b>SR</b>         |
| Board of directors and committee's payable | -                               | 2,300,423                           | 2,300,423         |
| Employees' related accruals and payables   | 524,307                         | -                                   | 524,307           |
| Payable to brokers and agents              | 1,480,744                       | -                                   | 1,480,744         |
| Others                                     | 9,467,425                       | -                                   | 9,467,425         |
| <b>Ending balance</b>                      | <b>11,472,476</b>               | <b>2,300,423</b>                    | <b>13,772,899</b> |

| <b>1 January 2022</b>                      |                                 |                                     |                   |
|--------------------------------------------|---------------------------------|-------------------------------------|-------------------|
|                                            | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>      |
|                                            | <b>SR</b>                       | <b>SR</b>                           | <b>SR</b>         |
| Board of directors and committee's payable | -                               | 2,550,350                           | 2,550,350         |
| Employees' related accruals and payables   | 406,812                         | -                                   | 406,812           |
| Payable to brokers and agents              | 1,400,688                       | -                                   | 1,400,688         |
| Others                                     | 6,739,179                       | -                                   | 6,739,179         |
| <b>Ending balance</b>                      | <b>8,546,679</b>                | <b>2,550,350</b>                    | <b>11,097,029</b> |

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**12.END OF SERVICE BENEFITS**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labour 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 amount recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

|                                                                               | <b>31 December<br/>2023</b> | <b>31 December<br/>2022 (Restated)</b> |
|-------------------------------------------------------------------------------|-----------------------------|----------------------------------------|
|                                                                               | <b>SR</b>                   | <b>SR</b>                              |
| <b>Amount recognised in the statement of financial position</b>               |                             |                                        |
| <i>Present value of end of service benefits</i>                               | <u>7,826,377</u>            | <u>8,227,890</u>                       |
| <b>Net liability at end of the year</b>                                       | <u><b>7,826,377</b></u>     | <u><b>8,227,890</b></u>                |
| <b>Benefit expense (recognised in statement of income)</b>                    |                             |                                        |
| Current service costs                                                         | <b>1,010,325</b>            | 2,219,444                              |
| Commission rate costs                                                         | <b>178,456</b>              | 369,354                                |
| Benefit expense (recognised in profit or loss)                                | <u><b>1,188,781</b></u>     | <u>2,588,798</u>                       |
| <b>Reconciliation of present value of end of service benefits</b>             |                             |                                        |
| End of service benefits at beginning of the year                              | <b>8,227,890</b>            | 12,311,821                             |
| Current service costs                                                         | <b>1,010,325</b>            | 2,219,444                              |
| Commission rate costs                                                         | <b>178,456</b>              | 369,354                                |
| Actuarial gain/(loss) from experience adjustments                             | <b>(487,619)</b>            | (4,040,497)                            |
| Benefits paid during the year                                                 | <u><b>(1,102,675)</b></u>   | <u>(2,632,232)</u>                     |
| Present value of end of service benefits at end of the year                   | <u><b>7,826,377</b></u>     | <u>8,227,890</u>                       |
| <b>Reconciliation of net liability in the statement of financial position</b> |                             |                                        |
| Opening balance                                                               | <b>8,227,890</b>            | 12,311,821                             |
| Charge to statement of income                                                 | <b>1,188,781</b>            | 2,588,798                              |
| Charge to statement of other comprehensive income                             | <b>(487,619)</b>            | (4,040,497)                            |
| Payment of benefits during the year                                           | <u><b>(1,102,675)</b></u>   | <u>(2,632,232)</u>                     |
| Closing balance                                                               | <u><b>7,826,377</b></u>     | <u>8,227,890</u>                       |
| <b>Principal actuarial assumption</b>                                         |                             |                                        |
| Valuation discount rate                                                       | 4.75%                       | 4.75%                                  |
| Expected rate of increase in salary level across different age bands          | 4.80%                       | 5.00%                                  |

12.1 The impact of changes in sensitivities on present value of end of service benefits liability is as follows:

|                                                                      | <b>End of service benefits liability</b> |                                        |
|----------------------------------------------------------------------|------------------------------------------|----------------------------------------|
|                                                                      | <b>31 December<br/>2023</b>              | <b>31 December<br/>2022 (Restated)</b> |
|                                                                      | <b>SR</b>                                | <b>SR</b>                              |
| Central Assumptions                                                  | <b>7,826,377</b>                         | 8,227,890                              |
| Valuation discount rate                                              |                                          |                                        |
| -Increase by 0.50%                                                   | <b>7,552,010</b>                         | 7,902,685                              |
| -Decrease by 0.50%                                                   | <b>8,128,990</b>                         | 8,578,365                              |
| Expected rate of increase in salary level across different age bands |                                          |                                        |
| -Increase by 0.50%                                                   | <b>8,138,997</b>                         | 8,596,172                              |
| -Decrease by 0.50%                                                   | <b>7,521,538</b>                         | 7,883,099                              |

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**13.RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties represent the main shareholders, board members, and senior management employees of the company, the companies in which they are their main owners, and any other companies that are subject to their control or are jointly controlled or have effective control over them. Pricing policies and terms of these transactions are approved by the company's management and the Board of Directors. Details of major related party transactions and their balances are as follows:

| Related party                              | Nature of transactions                          | 31 December 2023 | 31 December 2022 (Restated) |
|--------------------------------------------|-------------------------------------------------|------------------|-----------------------------|
|                                            |                                                 | SR               | SR                          |
| Major Shareholders                         | Insurance premium written                       | 12,432,555       | 13,075,211                  |
|                                            | Claims paid                                     | (2,152,876)      | (2,084,264)                 |
|                                            | Reinsurance premium ceded                       | -                | (357,347)                   |
| Board of Directors and committees' members | Remuneration fees, allowances and other expense | (2,166,000)      | (1,870,806)                 |
|                                            | Insurance premium written                       | 21,056,764       | 19,637,440                  |
|                                            | Claims paid                                     | (13,185,129)     | (2,084,264)                 |
|                                            | Insurance brokerage contracts                   | (3,747,419)      | (2,008,388)                 |

The above transactions with the related parties resulted in the following balances:

|                                            | Nature of balances                                      | 31 December 2023 | 31 December 2022 (Restated) | 1 January 2022 (Restated) |
|--------------------------------------------|---------------------------------------------------------|------------------|-----------------------------|---------------------------|
|                                            |                                                         | SR               | SR                          | SR                        |
| Major Shareholders                         | Insurance premium written receivable                    | 7,320,151        | 9,259,420                   | 5,712,102                 |
|                                            | Reinsurance premium ceded payable                       | -                | (1,330,678)                 | (4,094,797)               |
| Board of Directors and committees' members | Remuneration fees, allowances and other expense payable | (2,205,990)      | (1,757,690)                 | (2,091,840)               |
|                                            | Insurance premium written receivable                    | 4,674,929        | 5,527,970                   | 4,900,875                 |
|                                            | Insurance brokerage contracts                           | (2,506,858)      | (2,219,320)                 | (1,549,720)               |
|                                            |                                                         |                  |                             |                           |
| Associate                                  | General and administrative expenses payable             | -                | -                           | 510,973                   |

**Compensation of key management personnel**

The compensation of the key management personnel during the year were as follows:

|                        | 31 December 2023 | 31 December 2022 (Restated) |
|------------------------|------------------|-----------------------------|
| Short-term benefits    | 3,971,954        | 4,154,418                   |
| End of service benefit | 61,807           | 174,795                     |
|                        | <u>4,033,761</u> | <u>4,329,213</u>            |

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**14. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                                                  | <b>31 December 2023</b>     |                                    | <b>31 December 2022 (Restated)</b> |                                    |
|------------------------------------------------------------------|-----------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                                                  | <b>Insurance operations</b> | <b>Shareholders' Operations SR</b> | <b>Insurance operations</b>        | <b>Shareholders' Operations SR</b> |
| Employees' salaries and all staff related costs                  | 40,569,115                  | -                                  | 41,864,308                         | -                                  |
| Office rent                                                      | 1,536,813                   | -                                  | 3,103,702                          | -                                  |
| Legal and professional fees                                      | 4,993,603                   | -                                  | 3,575,746                          | -                                  |
| Utilities and telecommunications                                 | 1,394,228                   | -                                  | 2,196,187                          | -                                  |
| Information technology expenses                                  | 3,003,070                   | -                                  | 2,574,264                          | -                                  |
| Depreciation of property, equipment, ROU and intangible assets   | 2,616,283                   | -                                  | 1,546,077                          | -                                  |
| Stationery and office supplies                                   | 698,540                     | -                                  | 364,393                            | -                                  |
| Withholding taxes                                                | 305,556                     | -                                  | 405,884                            | -                                  |
| Board of Directors and committees remuneration fees and expenses | -                           | 2,166,000                          | -                                  | 1,870,806                          |
| Listing fees                                                     | 12,993,815                  | 357,972                            | 8,083,619                          | 376,821                            |
| Others                                                           | 68,111,023                  | 434,917                            | -                                  | 341,290                            |
|                                                                  | <b>40,569,115</b>           | <b>2,958,889</b>                   | <b>63,714,180</b>                  | <b>2,588,917</b>                   |
|                                                                  | <b>40,569,115</b>           | <b>2,958,889</b>                   | <b>41,864,308</b>                  | <b>66,303,097</b>                  |

**14.1 G&A EXPENSE ALLOCATION**

|                        | <b>31 December 2023</b> | <b>31 December 2022 (Restated)</b> |
|------------------------|-------------------------|------------------------------------|
| G&A Allocated to LFRIC | 20,023,984              | 29,905,216                         |
| G&A Allocated to LIC   | 31,234,905              | 21,599,485                         |
| Unallocated G&A        | 19,811,023              | 14,798,396                         |
| <b>Total</b>           | <b>71,069,912</b>       | <b>66,303,097</b>                  |



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**15. PROVISION FOR ZAKAT AND INCOME TAX**

***Zakat charge for the period***

The zakat provision consists of the zakat charged during the year amount of SR 5,496,703 (2022: SAR 5,124,422). The zakat provision is calculated on the 100% capital.

***Status of assessment***

The Company has filed zakat returns with the General Authority of Zakat and Tax ("ZATCA") for the years from 2010 to 2022.

On review of the zakat returns by the ZATCA for the years 2010 to 2012, ZATCA issued assessments and the company objected to it, the final decisions have been issued for the objection cases resulting credit amounts in the company's interest with SR 64,738 , 340,868 and 325,000 respectively. The company submitted a letter to refund and still under review.

On review of the zakat returns by the ZATCA for the years 2015 to 2018, ZATCA issued assessments and the company objected to it, the liability decreased to SR 13,288,746 after the decision of the Resolution Committee for tax violations and disputes. The company raised an appeal to the Appellate Committee and still under review.

On review of the withholding tax returns by the ZATCA for the years 2014 to 2018, ZATCA issued assessments and the company objected to it, the company paid the assessments amount and cancelled penalties according ZATCA initiatives. The Resolution Committee for tax violations and disputes rejected the case. The company raised an appeal to the Appellate Committee and still under review. The final decisions were issued for both cases, the liability decreased to 12,814,271. The company in process to settle the liability with GAZT.

On review of the zakat returns by the ZATCA for the years 2019 to 2020, ZATCA issued assessments and the company objected to it, the liability decreased to SR 4,146,940 after the decision of the Resolution Committee for tax violations and disputes. The company raised an appeal to the Appellate Committee and the final decision resulted in rejecting the case. The company in procedure to do settlement for the dues.

On review of the value added tax returns by the ZATCA for the years 2018 to 2019, ZATCA issued assessments and the company objected to it, the company paid the assessments amount and cancelled penalties according ZATCA initiatives. The Resolution Committee for tax violations and disputes rejected the case. The company raised an appeal to the Appellate Committee and still under review. The final decisions were issued and rejected the objection, no liability is pending for the cases.

**16. COMMITMENTS AND CONTINGENCIES**

***Litigations and lawsuits***

The company operates in the insurance business and is vulnerable to lawsuits during its normal business cycle.

While it is impractical to predict or know the final outcome of all lawsuits, management believes that these lawsuits (including the cases) will not have any material impact on the company's results or its financial position.

The company does not have any material lawsuit on the date of preparing the financial statements.

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**17. OPERATING SEGMENTS**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2022, with the exception of the impact of adopting IFRS 17 as previously discussed.

Segment assets do not include property and equipment, prepaid expenses and other assets, investments, time deposits, cash and cash equivalents, amounts due from a related party, statutory deposit, and investment returns from the statutory deposit, and thus they are included in the unallocated assets.

Segments' liabilities do not include end-of-service benefits provision, payables and accrued expenses and other liabilities, other provisions, surplus payable distributions, actuarial loss for specific benefit plans, accrued zakat and income tax, and due statutory deposit investment returns and thus they are included in the unallocated liabilities.

General and administrative expenses, commission income were allocated as per IFRS 17 requirements.

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**17. OPERATING SEGMENTS (continued)  
Statement of Financial Position**

|                                  | 31 December 2023            |                   |                     |                    |
|----------------------------------|-----------------------------|-------------------|---------------------|--------------------|
|                                  | Motor                       | Medical           | Property & Casualty | Total              |
| <b>Assets</b>                    |                             |                   |                     |                    |
| Insurance contract assets        | 18,818,678                  | 12,377,231        | 32,249,710          | 63,445,619         |
| Reinsurance contract assets      | 4,057,672                   | 3,406,992         | 31,375,251          | 38,839,915         |
| Unallocated Assets               | -                           | -                 | -                   | 745,352,636        |
| <b>Total</b>                     | <b>22,876,350</b>           | <b>15,784,223</b> | <b>63,624,961</b>   | <b>847,638,170</b> |
| <b>Liabilities</b>               |                             |                   |                     |                    |
| Insurance contract Liabilities   | 221,368,663                 | 44,647,153        | 70,564,633          | 336,580,449        |
| Reinsurance contract Liabilities | 2,260,234                   | 379,077           | 10,363,272          | 13,002,583         |
| Unallocated Liabilities          | -                           | -                 | -                   | 53,218,683         |
| <b>Total</b>                     | <b>223,628,897</b>          | <b>45,026,230</b> | <b>80,927,905</b>   | <b>402,801,715</b> |
|                                  | 31 December 2022 (Restated) |                   |                     |                    |
|                                  | Motor                       | Medical           | Property & Casualty | Total              |
| <b>Assets</b>                    |                             |                   |                     |                    |
| Insurance contract assets        | -                           | -                 | -                   | -                  |
| Reinsurance contract assets      | 2,650,666                   | 4,098,058         | 22,970,567          | 29,719,291         |
| Unallocated Assets               | -                           | -                 | -                   | 722,337,555        |
| <b>Total</b>                     | <b>2,650,666</b>            | <b>4,098,058</b>  | <b>22,970,567</b>   | <b>752,056,846</b> |
| <b>Liabilities</b>               |                             |                   |                     |                    |
| Insurance contract Liabilities   | 204,174,311                 | 50,404,185        | 24,771,620          | 279,350,116        |
| Reinsurance contract Liabilities | -                           | -                 | -                   | -                  |
| Unallocated Liabilities          | -                           | -                 | -                   | 52,222,459         |
| <b>Total</b>                     | <b>204,174,311</b>          | <b>50,404,185</b> | <b>24,771,620</b>   | <b>331,572,575</b> |

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**17. OPERATING SEGMENTS (continued)**  
**Statement of Financial Position**

|                                  | 1 January 2022 |            |                     |             |
|----------------------------------|----------------|------------|---------------------|-------------|
|                                  | Motor          | Medical    | Property & Casualty | Total       |
| <b>Assets</b>                    |                |            |                     |             |
| Insurance contract assets        | -              | -          | -                   | -           |
| Reinsurance contract assets      | 5,750,626      | 1,248,401  | 20,867,618          | 27,866,645  |
| Unallocated Assets               | -              | -          | -                   | 832,538,354 |
| Total                            | 5,750,626      | 1,248,401  | 20,867,618          | 860,404,999 |
| <b>Liabilities</b>               |                |            |                     |             |
| Insurance contract Liabilities   | 233,161,229    | 94,376,676 | 26,293,935          | 353,831,840 |
| Reinsurance contract Liabilities | -              | -          | -                   | -           |
| Unallocated Liabilities          | -              | -          | -                   | 63,799,626  |
| Total                            | 233,161,229    | 94,376,676 | 26,293,935          | 417,631,466 |

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**17. OPERATING SEGMENTS (continued)**  
**Statement of Income**

|                                                             | 31 December 2023 |              |                     |                   |
|-------------------------------------------------------------|------------------|--------------|---------------------|-------------------|
|                                                             | Motor            | Medical      | Property & Casualty | Total             |
| <b>REVENUES</b>                                             |                  |              |                     |                   |
| Insurance revenue                                           | 252,805,086      | 80,380,046   | 40,259,147          | 373,444,279       |
| Insurance service expenses                                  | (257,036,679)    | (57,525,037) | (22,626,067)        | (337,187,783)     |
| Income / (expenses) from reinsurance contracts held         | (4,798,855)      | (2,664,948)  | (23,806,971)        | (31,270,774)      |
| <b>Insurance service result</b>                             | (9,030,448)      | 20,190,061   | (6,173,891)         | 4,985,722         |
| Fair value change on FVTPL investments                      | -                | -            | -                   | 1,668,040         |
| Net gains from sale of investments                          | -                | -            | -                   | 6,884             |
| Interest Revenue from financial assets measured at FVTPL    | -                | -            | -                   | 21,778,994        |
| Dividend from financial assets measured at FVTPL            | -                | -            | -                   | 5,047,391         |
| Net (impairment) reversal on financial assets               | -                | -            | -                   | 114,415           |
| Other investment income / (loss)                            | -                | -            | -                   | 10,021            |
| <b>Net investment income</b>                                | -                | -            | -                   | 28,625,745        |
| Finance income / (expense) from insurance contracts issued  | (2,026,736)      | (286,054)    | 838,408             | (1,474,382)       |
| Finance (expenses) / income from reinsurance contracts held | 49,377           | 32,342       | (230,349)           | (148,630)         |
| <b>Insurance finance results</b>                            | (1,977,359)      | (253,712)    | 608,059             | (1,623,012)       |
| <b>Net insurance and investment results</b>                 |                  |              |                     | 31,988,455        |
| Other operating expenses                                    |                  |              |                     | (19,811,023)      |
| Other income                                                |                  |              |                     | 13,402,711        |
| <b>Gross Income for the year</b>                            |                  |              |                     | 25,580,143        |
| Provision for Zakat and Income Tax                          |                  |              |                     | (5,496,703)       |
| <b>Income for the year after Zakat and Income Tax</b>       |                  |              |                     | <u>20,083,440</u> |

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**17. OPERATING SEGMENTS (continued)**  
**Statement of Income**

|                                                             | 31 December 2022 (Restated) |              |                     |                     |
|-------------------------------------------------------------|-----------------------------|--------------|---------------------|---------------------|
|                                                             | Motor                       | Medical      | Property & Casualty | Total               |
| <b>REVENUES</b>                                             |                             |              |                     |                     |
| Insurance revenue                                           | 263,116,352                 | 105,150,462  | 48,836,095          | 417,102,909         |
| Insurance service expenses                                  | (318,564,043)               | (96,493,442) | (27,793,410)        | (442,850,895)       |
| Income / (expenses) from reinsurance contracts held         | (6,219,304)                 | 1,553,202    | (26,113,632)        | (30,779,734)        |
| <b>Insurance service result</b>                             | (61,666,995)                | 10,210,222   | (5,070,947)         | (56,527,720)        |
| Fair value change on FVTPL investments                      | -                           | -            | -                   | (8,915,517)         |
| Net gains from sale of investments                          | -                           | -            | -                   | 2,064,469           |
| Interest Revenue from financial assets measured at FVTPL    | -                           | -            | -                   | 21,919,809          |
| Dividend from financial assets measured at FVTPL            | -                           | -            | -                   | 2,638,070           |
| Net (impairment) reversal on financial assets               | -                           | -            | -                   | 2,069,040           |
| Other investment income / (loss)                            | -                           | -            | -                   | 25,029              |
| <b>Net investment income</b>                                | -                           | -            | -                   | 19,800,900          |
| Finance income / (expense) from insurance contracts issued  | 611,481                     | 3,312,276    | 922,613             | 4,846,370           |
| Finance (expenses) / income from reinsurance contracts held | 20,335                      | (57,743.00)  | (284,192)           | (321,600)           |
| <b>Insurance finance results</b>                            | 631,816                     | 3,254,533    | 638,421             | 4,524,770           |
| <b>Net insurance and investment results</b>                 |                             |              |                     | (32,202,050)        |
| Other operating expenses                                    |                             |              |                     | (14,798,396)        |
| Other income                                                |                             |              |                     | 23,124,541          |
| <b>Gross Income for the year</b>                            |                             |              |                     | (23,875,905)        |
| Provision for Zakat and Income Tax                          |                             |              |                     | (5,124,422)         |
| <b>Income for the year after Zakat and Income Tax</b>       |                             |              |                     | <u>(29,000,327)</u> |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES**

**PAA**

| PAA                                                          | 31 December 2023                 |                               |                                   |                                        |               |
|--------------------------------------------------------------|----------------------------------|-------------------------------|-----------------------------------|----------------------------------------|---------------|
|                                                              | Liability for remaining coverage | Liability for incurred claims |                                   |                                        | Total         |
|                                                              | Excluding loss component         | Loss component                | Estimates of present value of FCF | Risk adjustment for non-financial risk |               |
| Insurance contracts - 1 January 2023                         | 73,415,233                       | 43,628,954                    | 155,725,384                       | 4,751,269                              | 277,520,840   |
| Insurance contract liabilities                               |                                  |                               |                                   |                                        |               |
| Changes in the statement of income and OCI:                  |                                  |                               |                                   |                                        |               |
| Insurance revenue                                            | 373,328,733                      | -                             | -                                 | -                                      | 373,328,733   |
| Insurance service expenses                                   |                                  |                               |                                   |                                        |               |
| Incurred claims and other directly attributable expenses     | -                                | -                             | 304,150,865                       | 1,251,368                              | 305,402,233   |
| Insurance acquisition cashflows amortization                 | 67,000,713                       | -                             | -                                 | -                                      | 67,000,713    |
| Losses and reversals of losses on onerous contracts          | -                                | (36,903,679)                  | -                                 | -                                      | (36,903,679)  |
| Changes that relate to past service - adjustments to the LIC | -                                | -                             | 1,531,245                         | -                                      | 1,531,245     |
| Insurance service expenses                                   | 67,000,713                       | (36,903,679)                  | 305,682,110                       | 1,251,368                              | 337,030,512   |
| Insurance service result                                     | 306,328,020                      | 36,903,679                    | (305,682,110)                     | (1,251,368)                            | 36,298,221    |
| Finance expense from insurance contracts                     | -                                | -                             | (1,469,213)                       | -                                      | (1,469,213)   |
| Total changes in the statement of income and OCI             | 306,328,020                      | 36,903,679                    | (307,151,323)                     | (1,251,368)                            | 34,829,008    |
| Cashflows                                                    |                                  |                               |                                   |                                        |               |
| Premiums received                                            | 399,948,370                      | -                             | -                                 | -                                      | 399,948,370   |
| Claims and other directly attributable expenses paid         | -                                | -                             | (306,033,775)                     | -                                      | (306,033,775) |
| Insurance acquisition cashflows paid                         | (67,722,325)                     | -                             | -                                 | -                                      | (67,722,325)  |
| Total cash inflows / (outflows)                              | 332,226,045                      | -                             | (306,033,775)                     | -                                      | 26,192,270    |
| Net closing balance                                          | 99,313,258                       | 6,725,275                     | 156,842,932                       | 6,002,637                              | 268,884,102   |
| Insurance contracts Liabilities                              |                                  |                               |                                   |                                        |               |
| Insurance contracts assets                                   | 161,348,051                      | 6,725,275                     | 158,253,759                       | 6,002,637                              | 332,329,722   |
|                                                              | (62,034,793)                     | -                             | (1,410,826)                       | -                                      | (63,445,619)  |
|                                                              | 99,313,258                       | 6,725,275                     | 156,842,932                       | 6,002,637                              | 268,884,102   |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| <b>PAA</b>                                                  |                                | <b>31 December 2023</b>                   |                                                      |                     |
|-------------------------------------------------------------|--------------------------------|-------------------------------------------|------------------------------------------------------|---------------------|
| <b>Asset for remaining coverage</b>                         |                                | <b>Asset for incurred claims</b>          |                                                      | <b>Total</b>        |
| <b>Excluding loss component</b>                             | <b>Loss recovery component</b> | <b>PVCF, Contracts measured under PAA</b> | <b>Risk adjustment, Contracts measured under PAA</b> |                     |
| <b>Reinsurance contracts - 1 January 2023</b>               |                                |                                           |                                                      |                     |
| <b>reinsurance contract assets</b>                          | <b>(4,084,647)</b>             | <b>32,804,001</b>                         | <b>483,102</b>                                       | <b>29,202,456</b>   |
| <b>Changes in the statement of income and OCI:</b>          |                                |                                           |                                                      |                     |
| <b>Amounts Allocated to Reinsurance</b>                     | <b>(32,618,409)</b>            | <b>-</b>                                  | <b>-</b>                                             | <b>(32,618,409)</b> |
| Inurred Claims Amounts Recoverable from Reinsurance         | -                              | 1,156,858                                 | 113,349                                              | 1,270,207           |
| Changes that relate to past service: changes related to AIC | -                              | -                                         | -                                                    | -                   |
| Losses and reversals of losses on onerous contracts         | -                              | -                                         | -                                                    | -                   |
| Investment component: change in profit commission           | -                              | -                                         | -                                                    | -                   |
| <b>Net expenses from reinsurance contracts</b>              | <b>-</b>                       | <b>1,156,858</b>                          | <b>113,349</b>                                       | <b>1,270,207</b>    |
| <b>Insurance service result</b>                             | <b>(32,618,409)</b>            | <b>-</b>                                  | <b>1,156,858</b>                                     | <b>(31,348,202)</b> |
| <b>Finance income from reinsurance contracts</b>            | <b>-</b>                       | <b>(125,211)</b>                          | <b>-</b>                                             | <b>(125,211)</b>    |
| <b>Total changes in the statement of income and OCI</b>     | <b>(32,618,409)</b>            | <b>1,031,647</b>                          | <b>113,349</b>                                       | <b>(31,473,413)</b> |
| <b>Cashflows</b>                                            |                                |                                           |                                                      |                     |
| Premiums ceded and acquisition cashflows paid               | (30,061,788)                   | 1,108,879                                 | -                                                    | (28,952,909)        |
| Recoveries from reinsurance                                 | 3,722,011                      | (59,508)                                  | -                                                    | 3,662,503           |
| <b>Total cash inflows / (outflows)</b>                      | <b>(26,339,777)</b>            | <b>1,049,371</b>                          | <b>-</b>                                             | <b>(25,290,406)</b> |
| <b>Net closing balance</b>                                  | <b>(10,363,279)</b>            | <b>32,786,277</b>                         | <b>596,451</b>                                       | <b>23,019,449</b>   |
| <b>Reinsurance contracts assets</b>                         | <b>-</b>                       | <b>35,425,581</b>                         | <b>596,451</b>                                       | <b>36,022,032</b>   |
| <b>Reinsurance contracts Liabilities</b>                    | <b>(10,363,279)</b>            | <b>(2,639,305)</b>                        | <b>-</b>                                             | <b>(13,002,583)</b> |
|                                                             | <b>(10,363,279)</b>            | <b>32,786,277</b>                         | <b>596,451</b>                                       | <b>23,019,449</b>   |



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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| GMM (IDI)                                                | 31 December 2023                 |                               |                               |                                        |
|----------------------------------------------------------|----------------------------------|-------------------------------|-------------------------------|----------------------------------------|
|                                                          | Liability for remaining coverage | Liability for incurred claims |                               | Total                                  |
|                                                          | Excluding loss component         | Loss component                | LIC excluding risk adjustment | Risk adjustment for non-financial risk |
| Net opening balance                                      | 1,821,207                        | -                             | 8,080                         | -                                      |
| Insurance revenue                                        |                                  |                               |                               |                                        |
| Expected incurred claims and other service expenses      | (115,281)                        | -                             | -                             | -                                      |
| CSM recognized for service period                        | (263)                            | -                             | -                             | -                                      |
| Total Insurance revenue                                  | (115,544)                        | -                             | -                             | -                                      |
| Insurance service expenses                               |                                  |                               |                               |                                        |
| Incurred claims and other directly attributable expenses | -                                | -                             | 157,256                       | -                                      |
| Experience adjustments                                   | -                                | -                             | -                             | -                                      |
| Insurance service expenses                               | -                                | -                             | 157,256                       | -                                      |
| Insurance service result                                 | (115,544)                        | -                             | 157,256                       | -                                      |
| Finance expense from insurance contracts                 | 5,170                            | -                             | -                             | -                                      |
| Total changes in the statement of income and OCI         | (110,374)                        | -                             | 157,256                       | -                                      |
| Cashflows                                                |                                  |                               |                               |                                        |
| Premiums received                                        | 2,415,583                        | -                             | -                             | -                                      |
| Claims and other directly attributable expenses paid     | -                                | -                             | -                             | -                                      |
| Insurance acquisition cashflows paid                     | -                                | -                             | (41,026)                      | -                                      |
| Total cash inflows / (outflows)                          | 2,415,583                        | -                             | (41,026)                      | -                                      |
| Net closing balance                                      | 4,126,416                        | -                             | 124,310                       | -                                      |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**  
**GMM (ID1)**

|                                                         | 31 December 2023             |                           |                               |                 |
|---------------------------------------------------------|------------------------------|---------------------------|-------------------------------|-----------------|
|                                                         | Asset for remaining coverage | Asset for incurred claims | Total                         |                 |
|                                                         | Excluding loss component     | Loss recovery component   | AIC excluding risk adjustment | Risk adjustment |
| <b>Net opening</b>                                      | (516,835)                    | -                         | -                             | -               |
| <b>Changes in the statement of income and OCI:</b>      |                              |                           |                               |                 |
| Amounts Allocated to Reinsurance and recoveries         |                              |                           |                               |                 |
| Expected claim recoverable                              | (24,551)                     | -                         | -                             | -               |
| Changes in risk adjustment                              | (0)                          | -                         | -                             | (0)             |
| CSM recognized for the service period                   | 385                          | -                         | -                             | 385             |
| Incurred claims                                         | -                            | -                         | (53,254)                      | -               |
| Experience adjustment                                   | -                            | -                         | -                             | -               |
| <b>Net expenses from reinsurance contracts</b>          | (24,166)                     | -                         | (53,254)                      | -               |
| <b>Insurance service result</b>                         | (24,166)                     | -                         | (53,254)                      | -               |
| <b>Finance income from reinsurance contracts</b>        | 23,418                       | -                         | -                             | -               |
| <b>Total changes in the statement of income and OCI</b> | (748)                        | -                         | (53,254)                      | -               |
| <b>Cashflows</b>                                        |                              |                           |                               |                 |
| Premiums ceded                                          | (2,690,775)                  | -                         | -                             | -               |
| Commission and Management fee                           | 443,728                      | -                         | -                             | -               |
| <b>Total cash inflows / (outflows)</b>                  | (2,247,047)                  | -                         | -                             | -               |
| <b>Net closing balance</b>                              | (2,764,630)                  | -                         | (53,254)                      | -               |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| GMM (IDI)                                                                                          | 31 December 2023                         |                                              |           |           |
|----------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|-----------|-----------|
|                                                                                                    | Present value<br>of future cash<br>flows | Risk adjustment<br>for non-financial<br>risk | CSM       | Total     |
|                                                                                                    | SAR                                      |                                              |           |           |
| Net opening balance                                                                                | (478,979)                                | 75,596                                       | 2,232,670 | 1,829,287 |
| Changes in the statement of profit or loss and OCI                                                 |                                          |                                              |           |           |
| Changes that relate to current service                                                             | (263)                                    | -                                            | -         | (263)     |
| CSM recognized for the services provided                                                           | -                                        | -                                            | -         | -         |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | (115,281)                                | -                                            | -         | (115,281) |
| Experience adjustments - relating to insurance service expenses                                    | 157,256                                  | -                                            | -         | 157,256   |
| Other changes on current services                                                                  | 41,712                                   | -                                            | -         | 41,712    |
| Incurrd expenses                                                                                   |                                          |                                              |           |           |
| Changes that relate to future service                                                              | -                                        | -                                            | -         | -         |
| Changes in estimates that adjust the CSM                                                           | (2,251,424)                              | -                                            | 2,160,515 | (90,909)  |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | -                                        | 90,909                                       | -         | 90,909    |
| Contracts initially recognized in the period                                                       | (2,251,424)                              | 90,909                                       | 2,160,515 | -         |
| Experience adjustment - arising from premiums received in the period that relate to future service |                                          |                                              |           |           |
| Changes that relate to past service                                                                | -                                        | -                                            | -         | -         |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                        | -                                            | -         | -         |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                        | -                                            | -         | -         |
| Insurance service result                                                                           | (2,209,712)                              | 90,909                                       | 2,160,515 | 41,712    |
| Net finance income/(expense) from insurance contracts                                              | (27,752)                                 | -                                            | 32,922    | 5,170     |
| Total changes in the statement of profit or loss and OCI                                           | (2,237,464)                              | 90,909                                       | 2,193,437 | 46,882    |
| Cash flows                                                                                         |                                          |                                              |           |           |
| Premiums received                                                                                  | 2,415,583                                | -                                            | -         | 2,415,583 |
| Incurrd claims paid                                                                                | -                                        | -                                            | -         | -         |
| Insurance acquisition cash flows                                                                   | (41,026)                                 | -                                            | -         | (41,026)  |
|                                                                                                    | 2,374,557                                | -                                            | -         | 2,374,557 |
| Net closing balance                                                                                | (341,886)                                | 166,505                                      | 4,426,107 | 4,250,726 |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| GMM (IDI)                                                                                          | 31 December 2023                         |                                              |             |             |
|----------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|-------------|-------------|
|                                                                                                    | Present value<br>of future cash<br>flows | Risk adjustment<br>for non-financial<br>risk | CSM         | Total       |
|                                                                                                    | SAR                                      |                                              |             |             |
| Net opening balance                                                                                | 1,199,484                                | 70,304                                       | (1,786,623) | (516,835)   |
| Changes in the statement of profit or loss and OCI                                                 |                                          |                                              |             |             |
| Changes that relate to current service                                                             | -                                        | -                                            | -           | -           |
| CSM recognized for the services provided                                                           | (53,254)                                 | -                                            | -           | (53,254)    |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | (24,551)                                 | (0)                                          | -           | (24,166)    |
| Experience adjustments - relating to reinsurance service expenses                                  | (77,805)                                 | (0)                                          | 385         | (77,420)    |
| Other changes on current services                                                                  |                                          |                                              |             |             |
| Changes that relate to future service                                                              |                                          |                                              |             |             |
| Changes in estimates that adjust the CSM                                                           | -                                        | -                                            | -           | -           |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | -                                        | -                                            | -           | -           |
| Contracts initially recognized in the period                                                       | 1,651,566                                | 81,142                                       | (1,732,708) | -           |
| Experience adjustment - arising from premiums received in the period that relate to future service | -                                        | -                                            | -           | -           |
|                                                                                                    | 1,651,566                                | 81,142                                       | (1,732,708) | -           |
| Changes that relate to past service                                                                |                                          |                                              |             |             |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                        | -                                            | -           | -           |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                        | -                                            | -           | -           |
|                                                                                                    | -                                        | -                                            | -           | -           |
| Reinsurance service result                                                                         |                                          |                                              |             |             |
| Net finance income/(expense) from reinsurance contracts                                            | 1,573,761                                | 81,142                                       | (1,732,323) | (77,420)    |
|                                                                                                    | 49,630                                   | -                                            | (26,212)    | 23,418      |
| Total changes in the statement of profit or loss and OCI                                           | 1,623,391                                | 81,142                                       | (1,758,534) | (54,001)    |
| Cash flows                                                                                         |                                          |                                              |             |             |
| Ceded premium                                                                                      | (2,690,775)                              | -                                            | -           | (2,690,775) |
| Commission and management fee                                                                      | 443,728                                  | -                                            | -           | 443,728     |
|                                                                                                    | (2,247,047)                              | -                                            | -           | (2,247,047) |
|                                                                                                    | 575,828                                  | 151,446                                      | (3,545,158) | (2,817,883) |
| Net closing balance                                                                                |                                          |                                              |             |             |

**BURJU COOPERATIVE INSURANCE COMPANY**  
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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

**PAA**

|                                                              |                                  |                                   | 31 December 2022                       |             |               |
|--------------------------------------------------------------|----------------------------------|-----------------------------------|----------------------------------------|-------------|---------------|
|                                                              | Liability for remaining coverage |                                   | Liability for incurred claims          |             | Total         |
| Excluding loss component                                     | Loss component                   | Estimates of present value of FCF | Risk adjustment for non-financial risk |             |               |
| <b>Insurance contracts - 1 January 2022</b>                  |                                  |                                   |                                        |             |               |
| Insurance contract liabilities                               | 149,199,500                      | 58,576,871                        | 141,375,925                            | 4,583,803   | 353,736,099   |
| <b>Changes in the statement of income and OCI:</b>           |                                  |                                   |                                        |             |               |
| <b>Insurance revenue</b>                                     | 417,020,295                      | -                                 | -                                      | -           | 417,020,295   |
| <b>Insurance service expenses</b>                            |                                  |                                   |                                        |             |               |
| Incurred claims and other directly attributable expenses     | -                                | -                                 | 453,346,791                            | 3,646,263   | 456,993,054   |
| Insurance acquisition cashflows amortization                 | 73,664,917                       | (14,947,917)                      | -                                      | -           | 73,664,917    |
| Losses and reversals of losses on onerous contracts          | -                                | -                                 | (69,413,659)                           | (3,478,797) | (72,892,456)  |
| Changes that relate to past service - adjustments to the LIC | 73,664,917                       | (14,947,917)                      | 383,933,132                            | 167,466     | 442,817,598   |
| <b>Insurance service result</b>                              | 343,355,378                      | 14,947,917                        | (383,933,132)                          | (167,466)   | (25,797,303)  |
| Finance expense from insurance contracts                     | -                                | -                                 | 4,869,421                              | -           | 4,869,421     |
| <b>Total changes in the statement of income and OCI</b>      | 343,355,378                      | 14,947,917                        | (379,063,711)                          | (167,466)   | (20,927,882)  |
| <b>Cashflows</b>                                             |                                  |                                   |                                        |             |               |
| Premiums received                                            | 338,301,713                      | -                                 | -                                      | -           | 338,301,713   |
| Claims and other directly attributable expenses paid         | (70,730,613)                     | -                                 | (364,714,252)                          | -           | (364,714,252) |
| Insurance acquisition cashflows paid                         | 267,571,100                      | -                                 | (364,714,252)                          | -           | (70,730,613)  |
| <b>Total cash inflows / (outflows)</b>                       | 73,415,222                       | 43,628,954                        | 155,725,384                            | 4,751,269   | 277,520,829   |
| <b>Net closing balance</b>                                   |                                  |                                   |                                        |             |               |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

|                                                             | 31 December 2022             |                         |                                    |                                               |              |
|-------------------------------------------------------------|------------------------------|-------------------------|------------------------------------|-----------------------------------------------|--------------|
|                                                             | Asset for remaining coverage |                         | Asset for incurred claims          |                                               | Total        |
|                                                             | Excluding loss component     | Loss recovery component | PVCF, Contracts measured under PAA | Risk adjustment, Contracts measured under PAA |              |
| <b>Reinsurance contracts - 1 January 2022</b>               |                              |                         |                                    |                                               |              |
| <b>reinsurance contract assets</b>                          |                              |                         |                                    |                                               |              |
| <i>Changes in the statement of income and OCI:</i>          |                              |                         |                                    |                                               |              |
| <b>Amounts Allocated to Reinsurance</b>                     | (40,033,569)                 | -                       | -                                  | -                                             | (40,033,569) |
| Incurred Claims Amounts Recoverable from Reinsurance        | -                            | -                       | 16,487,269                         | 401,235                                       | 16,888,504   |
| Changes that relate to past service: changes related to AIC | -                            | -                       | (7,750,181)                        | (360,170)                                     | (8,110,351)  |
| Losses and reversals of losses on onerous contracts         | -                            | -                       | 456,512                            | -                                             | 456,512      |
| Investment component: change in profit commission           | -                            | -                       | -                                  | -                                             | -            |
| <b>Net expenses from reinsurance contracts</b>              | -                            | -                       | 9,193,600                          | 41,065                                        | 9,234,665    |
| <b>Insurance service result</b>                             | (40,033,569)                 | -                       | 9,193,600                          | 41,065                                        | (30,798,904) |
| Finance expense from reinsurance contracts                  | -                            | -                       | (325,251)                          |                                               | (325,251)    |
| <b>Total changes in the statement of income and OCI</b>     | (40,033,569)                 | -                       | 8,868,349                          | 41,065                                        | (31,124,155) |
| <b>Cashflows</b>                                            |                              |                         |                                    |                                               |              |
| Premiums ceded and acquisition cashflows paid               | (40,330,266)                 | -                       | 2,410,739                          | -                                             | (37,919,527) |
| Recoveries from reinsurance                                 | 4,749,798                    | -                       | 667,847                            | -                                             | 5,417,645    |
| <b>Total cash inflows / (outflows)</b>                      | (35,580,468)                 |                         | 3,078,586                          | -                                             | (32,501,882) |
| <b>Net closing balance</b>                                  | (4,084,647)                  | -                       | 32,804,001                         | 483,102                                       | 29,202,456   |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

**GMM (ID)**

|                                                          | 31 December 2022                 |                               |                                        |           |
|----------------------------------------------------------|----------------------------------|-------------------------------|----------------------------------------|-----------|
|                                                          | Liability for remaining coverage | Liability for incurred claims |                                        | Total     |
| Excluding loss component                                 | Loss component                   | LIC excluding risk adjustment | Risk adjustment for non-financial risk |           |
| Net opening balance                                      | 95,741                           | -                             | -                                      | 95,741    |
| <b>Insurance revenue</b>                                 |                                  |                               |                                        |           |
| Expected incurred claims and other service expenses      | (82,614)                         | -                             | -                                      | (82,614)  |
| CSM recognized for service period                        | -                                | -                             | -                                      | -         |
| <b>Total Insurance revenue</b>                           | (82,614)                         | -                             | -                                      | (82,614)  |
| <b>Insurance service expenses</b>                        |                                  |                               |                                        |           |
| Incurred claims and other directly attributable expenses | -                                | -                             | 33,298                                 | -         |
| Experience adjustments                                   | -                                | -                             | -                                      | -         |
| <b>Insurance service expenses</b>                        | -                                | -                             | 33,298                                 | -         |
| <b>Insurance service result</b>                          | (82,614)                         | -                             | 33,298                                 | (49,316)  |
| Finance expense from insurance contracts                 | 23,051                           | -                             | -                                      | 23,051    |
| <b>Total changes in the statement of income and OCI</b>  | (59,563)                         | -                             | 33,298                                 | (26,265)  |
| <b>Cashflows</b>                                         |                                  |                               |                                        |           |
| Premiums received                                        | 1,785,028                        | -                             | -                                      | 1,785,028 |
| Claims and other directly attributable expenses paid     | -                                | -                             | -                                      | -         |
| Insurance acquisition cashflows paid                     | -                                | -                             | (25,218)                               | (25,218)  |
| <b>Total cash inflows / (outflows)</b>                   | 1,785,028                        | -                             | (25,218)                               | 1,759,810 |
| <b>Net closing balance</b>                               | 1,821,207                        | -                             | 8,080                                  | 1,829,287 |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| GMM (ID1)                                          | 31 December 2022             |                           |                               |                 |
|----------------------------------------------------|------------------------------|---------------------------|-------------------------------|-----------------|
|                                                    | Asset for remaining coverage | Asset for incurred claims |                               | Total           |
|                                                    | Excluding loss component     | Loss recovery component   | AIC excluding risk adjustment | Risk adjustment |
| Net opening                                        | (41,916)                     | -                         | -                             | -               |
| <i>Changes in the statement of income and OCI:</i> |                              |                           |                               |                 |
| Amounts Allocated to Reinsurance and recoveries    |                              | -                         | -                             | (41,916)        |
| Expected claim recoverable                         | 19,170                       | -                         | -                             | 19,170          |
| Changes in risk adjustment                         | -                            | -                         | -                             | -               |
| CSM recognized for the service period              | -                            | -                         | -                             | -               |
| Incurred claims                                    | -                            | -                         | -                             | -               |
| Experience adjustment                              | -                            | -                         | -                             | -               |
| Net expenses from reinsurance contracts            | 19,170                       | -                         | -                             | 19,170          |
| Insurance service result                           | 19,170                       | -                         | -                             | 19,170          |
| Finance income from reinsurance contracts          | 3,651                        | -                         | -                             | 3,651           |
| Total changes in the statement of income and OCI   | 22,821                       | -                         | -                             | 22,821          |
| <i>Cashflows</i>                                   |                              |                           |                               |                 |
| Premiums ceded                                     | (586,085)                    | -                         | -                             | (586,085)       |
| Commission and Management fee                      | 88,345                       | -                         | -                             | 88,345          |
| Total cash inflows / (outflows)                    | (497,740)                    | -                         | -                             | (497,740)       |
| Net closing balance                                | (516,835)                    | -                         | -                             | (516,835)       |



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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**  
**GMM (IDR)**

|                                                                                                    | 31 December 2022                      |                                              |           |           |
|----------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------|-----------|-----------|
|                                                                                                    | Present value of<br>future cash flows | Risk adjustment<br>for non-financial<br>risk | CSM       | Total     |
|                                                                                                    | SAR                                   |                                              |           |           |
|                                                                                                    | (30,759)                              | 17                                           | 126,483   | 95,741    |
| <b>Net opening balance</b>                                                                         |                                       |                                              |           |           |
| <b>Changes in the statement of profit or loss and OCI</b>                                          |                                       |                                              |           |           |
| <b>Changes that relate to current service</b>                                                      |                                       |                                              |           |           |
| CSM recognized for the services provided                                                           | -                                     | -                                            | -         | -         |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | -                                     | -                                            | -         | -         |
| Experience adjustments - relating to insurance service expenses                                    | (82,614)                              | -                                            | -         | (82,614)  |
| Other changes on current services                                                                  | 33,298                                | -                                            | -         | 33,298    |
| Incurred expenses                                                                                  | (49,316)                              | -                                            | -         | (49,316)  |
| <b>Changes that relate to future service</b>                                                       |                                       |                                              |           |           |
| Changes in estimates that adjust the CSM                                                           | -                                     | -                                            | -         | -         |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | (2,154,801)                           | -                                            | 2,079,222 | (75,580)  |
| Contracts initially recognized in the period                                                       | -                                     | 75,580                                       | -         | 75,580    |
| Experience adjustment - arising from premiums received in the period that relate to future service | (2,154,801)                           | 75,580                                       | 2,079,222 | -         |
| <b>Changes that relate to past service</b>                                                         |                                       |                                              |           |           |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                     | -                                            | -         | -         |
| Experience adjustment - arising from premiums received in the period that relate to past service   | (2,204,117)                           | 75,580                                       | 2,079,222 | (49,316)  |
| <b>Insurance service result</b>                                                                    | (3,914)                               | -                                            | 26,965    | 23,051    |
| Net finance (expense) / income from insurance contracts                                            | (2,208,031)                           | 75,580                                       | 2,106,186 | (26,265)  |
| <b>Total changes in the statement of profit or loss and OCI</b>                                    |                                       |                                              |           | -         |
| <b>Cash flows</b>                                                                                  |                                       |                                              |           |           |
| Premiums received                                                                                  | 1,785,028                             | -                                            | -         | 1,785,028 |
| Incurred claims paid                                                                               | (25,218)                              | -                                            | -         | (25,218)  |
| Insurance acquisition cash flows                                                                   | 1,759,810                             | -                                            | -         | 1,759,810 |
| <b>Net closing balance</b>                                                                         | (478,979)                             | 75,596                                       | 2,232,670 | 1,829,287 |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

| GMM (IDU)                                                                                          | 31 December 2022                         |                                           |             |           |
|----------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------|-------------|-----------|
|                                                                                                    | Present value<br>of future cash<br>flows | Risk adjustment for<br>non-financial risk | CSM         | Total     |
|                                                                                                    | SAR                                      |                                           |             |           |
| <b>Net opening balance</b>                                                                         | 52,088                                   | 12                                        | (94,016)    | (41,916)  |
| <b>Changes in the statement of profit or loss and OCI</b>                                          |                                          |                                           |             |           |
| <b>Changes that relate to current service</b>                                                      |                                          |                                           |             |           |
| CSM recognized for the services provided                                                           | -                                        | -                                         | -           | -         |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | -                                        | -                                         | -           | -         |
| Experience adjustments - relating to reinsurance service expenses                                  | 19,170                                   | (0)                                       | -           | 19,170    |
| Other changes on current services                                                                  | 19,170                                   | (0)                                       | -           | 19,170    |
| <b>Changes that relate to future service</b>                                                       |                                          |                                           |             |           |
| Changes in estimates that adjust the CSM                                                           | -                                        | -                                         | -           | -         |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | -                                        | -                                         | -           | -         |
| Contracts initially recognized in the period                                                       | 1,600,203                                | 70,292                                    | (1,670,495) | -         |
| Experience adjustment - arising from premiums received in the period that relate to future service | -                                        | -                                         | -           | -         |
|                                                                                                    | 1,600,203                                | 70,292                                    | (1,670,495) | -         |
| <b>Changes that relate to past service</b>                                                         |                                          |                                           |             |           |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                        | -                                         | -           | -         |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                        | -                                         | -           | -         |
|                                                                                                    | -                                        | -                                         | -           | -         |
| <b>Reinsurance service result</b>                                                                  |                                          |                                           |             |           |
| Net finance income/(expense) from reinsurance contracts                                            | 1,619,373                                | 70,292                                    | (1,670,495) | 19,170    |
| <b>Total changes in the statement of profit or loss and OCI</b>                                    | 25,763                                   | -                                         | (22,112)    | 3,651     |
| <b>Cash flows</b>                                                                                  |                                          |                                           |             |           |
| Ceded premium                                                                                      | 1,645,136                                | 70,292                                    | (1,692,607) | 22,821    |
| Commission and management fee                                                                      | (586,085)                                | -                                         | -           | (586,085) |
|                                                                                                    | 88,345                                   | -                                         | -           | 88,345    |
|                                                                                                    | (497,740)                                | -                                         | -           | (497,740) |
| <b>Net closing balance</b>                                                                         | 1,199,484                                | 70,304                                    | (1,786,623) | (516,835) |

**BURIJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

*Expressed in Saudi Riyals*

**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (continued)**

**18.1 CLAIMS DEVELOPMENT TABLE**

**Claims triangulation analysis by accident year**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

| Gross<br>Accident year                                                                     | 31 December 2023                |                     |                     |                     |                     |                     | Total                |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|                                                                                            | 31 December<br>2018 and earlier | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 268,242,289                     | 275,257,990         | 171,071,337         | 150,480,073         | 403,197,571         | 259,680,235         | 259,680,235          |
| One year later                                                                             | 225,865,951                     | 246,666,160         | 142,956,617         | 135,709,539         | 402,421,659         | -                   | 402,421,659          |
| Two years later                                                                            | 218,815,831                     | 245,330,619         | 135,803,152         | 138,425,103         | -                   | -                   | 138,425,103          |
| Three years later                                                                          | 211,563,337                     | 235,666,067         | 138,522,533         | -                   | -                   | -                   | 138,522,533          |
| Four years later                                                                           | 204,057,080                     | 236,490,288         | -                   | -                   | -                   | -                   | 236,490,288          |
| Five years later                                                                           | 1,395,801,140                   | -                   | -                   | -                   | -                   | -                   | 1,395,801,140        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,395,801,140</b>            | <b>236,490,288</b>  | <b>138,522,533</b>  | <b>138,425,103</b>  | <b>402,421,659</b>  | <b>259,680,235</b>  | <b>2,571,340,958</b> |
| Cumulative payments to date                                                                | (1,389,237,246)                 | (233,750,867)       | (130,881,309)       | (129,658,647)       | (381,875,543)       | (193,318,987)       | (2,458,722,599)      |
| <b>Total cumulative gross claim reserves recognized in statement of financial position</b> | <b>6,563,894</b>                | <b>2,739,421</b>    | <b>7,641,224</b>    | <b>8,766,456</b>    | <b>20,546,116</b>   | <b>66,361,248</b>   | <b>112,618,359</b>   |
| <b>NET (after considering effect of reinsurance)</b>                                       |                                 |                     |                     |                     |                     |                     |                      |
| Accident year                                                                              | 31 December 2023                |                     |                     |                     |                     |                     | Total                |
|                                                                                            | 31 December<br>2018 and earlier | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 249,529,105                     | 254,264,989         | 161,565,269         | 141,916,147         | 383,867,681         | 252,825,333         | 252,825,333          |
| One year later                                                                             | 215,187,713                     | 229,192,038         | 137,999,442         | 132,499,428         | 389,821,675         | -                   | 389,821,675          |
| Two years later                                                                            | 208,641,058                     | 228,189,732         | 131,553,627         | 134,737,970         | -                   | -                   | 134,737,970          |
| Three years later                                                                          | 202,825,216                     | 219,716,582         | 134,294,383         | -                   | -                   | -                   | 134,294,383          |
| Four years later                                                                           | 195,857,437                     | 220,787,291         | -                   | -                   | -                   | -                   | 220,787,291          |
| Five years later                                                                           | 1,240,693,886                   | -                   | -                   | -                   | -                   | -                   | 1,240,693,886        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,240,693,886</b>            | <b>220,787,291</b>  | <b>134,294,383</b>  | <b>134,737,970</b>  | <b>389,821,675</b>  | <b>252,825,333</b>  | <b>2,373,160,538</b> |
| Cumulative payments to date                                                                | (1,235,849,875)                 | (218,050,136)       | (127,053,356)       | (126,724,973)       | (375,960,877)       | (191,619,555)       | (2,275,258,772)      |
| <b>Total cumulative net claim reserves recognized in statement of financial position</b>   | <b>4,844,011</b>                | <b>2,737,155</b>    | <b>7,241,027</b>    | <b>8,012,997</b>    | <b>13,860,798</b>   | <b>61,205,778</b>   | <b>97,901,766</b>    |
| <b>Gross</b>                                                                               |                                 |                     |                     |                     |                     |                     |                      |
| Accident year                                                                              | 31 December 2022                |                     |                     |                     |                     |                     | Total                |
|                                                                                            | 31 December<br>2017 and earlier | 31 December<br>2018 | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 323,484,785                     | 268,242,289         | 275,257,990         | 171,071,337         | 150,480,073         | 403,197,571         | 403,197,571          |
| One year later                                                                             | 282,270,228                     | 225,865,951         | 246,666,160         | 142,956,617         | 135,709,539         | -                   | 135,709,539          |
| Two years later                                                                            | 260,400,803                     | 218,815,831         | 245,330,619         | 135,803,152         | -                   | -                   | 135,803,152          |
| Three years later                                                                          | 256,138,211                     | 211,563,337         | 235,666,067         | -                   | -                   | -                   | 235,666,067          |
| Four years later                                                                           | 246,575,427                     | 204,057,080         | -                   | -                   | -                   | -                   | 204,057,080          |
| Five years later                                                                           | 1,189,584,135                   | -                   | -                   | -                   | -                   | -                   | 1,189,584,135        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,189,584,135</b>            | <b>204,057,080</b>  | <b>235,666,067</b>  | <b>135,803,152</b>  | <b>135,709,539</b>  | <b>403,197,571</b>  | <b>2,304,017,544</b> |
| Cumulative payments to date                                                                | (1,184,127,974)                 | (201,916,426)       | (232,356,111)       | (129,522,765)       | (127,420,699)       | (310,353,223)       | (2,185,697,198)      |
| <b>Total cumulative gross claim reserves recognized in statement of financial position</b> | <b>5,456,161</b>                | <b>2,140,654</b>    | <b>3,309,956</b>    | <b>6,280,387</b>    | <b>8,288,840</b>    | <b>92,844,348</b>   | <b>118,320,346</b>   |
| <b>NET (after considering effect of reinsurance)</b>                                       |                                 |                     |                     |                     |                     |                     |                      |
| Accident year                                                                              | 31 December 2022                |                     |                     |                     |                     |                     | Total                |
|                                                                                            | 31 December<br>2017 and earlier | 31 December<br>2018 | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 294,398,521                     | 249,529,105         | 254,264,989         | 161,565,269         | 141,916,147         | 383,867,681         | 383,867,681          |
| One year later                                                                             | 256,929,714                     | 215,187,713         | 229,192,038         | 137,999,442         | 132,499,428         | -                   | 132,499,428          |
| Two years later                                                                            | 244,422,302                     | 208,641,058         | 228,189,732         | 131,553,627         | -                   | -                   | 131,553,627          |
| Three years later                                                                          | 240,304,346                     | 202,825,216         | 219,716,582         | -                   | -                   | -                   | 219,716,582          |
| Four years later                                                                           | 232,374,963                     | 195,857,437         | -                   | -                   | -                   | -                   | 195,857,437          |
| Five years later                                                                           | 1,043,854,740                   | -                   | -                   | -                   | -                   | -                   | 1,043,854,740        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,043,854,740</b>            | <b>195,857,437</b>  | <b>219,716,582</b>  | <b>131,553,627</b>  | <b>132,499,428</b>  | <b>383,867,681</b>  | <b>2,107,349,495</b> |
| Cumulative payments to date                                                                | (1,040,261,704)                 | (193,740,847)       | (216,655,379)       | (125,700,015)       | (124,487,027)       | (306,343,155)       | (2,007,188,126)      |
| <b>Total cumulative net claim reserves recognized in statement of financial position</b>   | <b>3,593,036</b>                | <b>2,116,590</b>    | <b>3,061,203</b>    | <b>5,853,612</b>    | <b>8,012,401</b>    | <b>77,524,526</b>   | <b>100,161,369</b>   |

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**19.CAPITAL MANAGEMENT**

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the 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 order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by Insurance Authority (IA) in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per IA Implementing Regulations.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

**20.SHARE CAPITAL**

The authorized, issued and paid-up share capital of the Company is SAR 300 million divided into 30 million shares of SAR 10 each (2022: SAR 300 million, 2021: SAR 300 million).

The shareholders of the Company are subject 100% to Zakat.

**21.STATUTORY RESERVE**

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of IA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

**22.EARNINGS PER SHARE**

Basic and diluted earnings / (loss) per share for the year 2023 and 2022 have been calculated by dividing the net (loss)/ income for the period attributable to shareholders' by the weighted average number of ordinary shares issued and outstanding shares (30 million shares) at the year end as:

|                                                              | <b>31 December<br/>2023</b> | <b>31 December<br/>2022 (Restated)</b> |
|--------------------------------------------------------------|-----------------------------|----------------------------------------|
|                                                              | <b>SR</b>                   | <b>SR</b>                              |
| Net profit / (loss) attributable to shareholders after zakat | <b>20,083,440</b>           | (29,000,327)                           |
| Weighted average number of ordinary shares                   | <b>30,000,000</b>           | 30,000,000                             |
| Basic and diluted earning per share                          | <b>0.67</b>                 | (0.97)                                 |

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## **23. 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 organization 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 short-term health 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:

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' behavior, 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 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 2023 and 2022, the company had quota share reinsurance arrangement for certain company of contracts 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 1.05% of gross premium written (2022: 0.68%).
- The reinsurers selected met SAMA'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 or medical declarations.

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**23.RISK MANAGEMENT (continued)**

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. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

|                                                                                                                                    | 31 December 2023 | 31 December 2022<br>(Restated) |
|------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------|
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in claims ratio</b>                           |                  |                                |
| 5% Increase                                                                                                                        | (16,761,385)     | (18,571,188)                   |
| 5% Decrease                                                                                                                        | 16,761,385       | 18,571,188                     |
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in risk adjustment for non-financial risk</b> |                  |                                |
| 5% Increase                                                                                                                        | (68,236)         | (10,427)                       |
| 5% Decrease                                                                                                                        | 68,236           | 10,427                         |
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component</b>  |                  |                                |
| 5% Increase                                                                                                                        | (1,845,184)      | (747,396)                      |
| 5% Decrease                                                                                                                        | 1,845,184        | 747,396                        |

**b).CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

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

|                                                | 31 December 2023   | 31 December 2022<br>(Restated) |
|------------------------------------------------|--------------------|--------------------------------|
| Cash and cash equivalents                      | 98,964,335         | 255,969,579                    |
| Investments                                    | 276,865,305        | 187,616,899                    |
| Term deposits                                  | 270,626,665        | 185,288,375                    |
| Statutory deposit                              | 29,998,695         | 29,998,817                     |
| Accrued commission income on statutory deposit | 1,093,595          | 2,582,066                      |
| Insurance contract assets                      | 63,445,619         | -                              |
| Reinsurance contract assets                    | 38,839,915         | 29,719,291                     |
| Prepaid expenses and other assets              | 51,050,209         | 47,231,316                     |
| Accrued income                                 | 12,312,210         | 8,776,537                      |
|                                                | <b>843,196,548</b> | <b>747,182,880</b>             |

**BURUJ COOPERATIVE INSURANCE COMPANY  
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**23.RISK MANAGEMENT (continued)**

**c).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:

|                                        | 2023               |                    |                    |
|----------------------------------------|--------------------|--------------------|--------------------|
|                                        | Up to one year     | More than one year | Total              |
| Insurance contract liabilities         | 336,580,449        | -                  | 336,580,449        |
| Reinsurance contract liabilities       | 13,002,583         | -                  | 13,002,583         |
| Accrued income payable to Insurance    | 1,093,595          | -                  | 1,093,595          |
| Lease Liabilities                      | -                  | -                  | -                  |
| Accrued expenses and other liabilities | 23,491,027         | -                  | 23,491,027         |
|                                        | <u>374,167,654</u> | <u>-</u>           | <u>374,167,654</u> |
|                                        |                    |                    |                    |
|                                        | 2022               |                    |                    |
|                                        | Up to one year     | More than one year | Total              |
| Insurance contract liabilities         | 279,350,116        | -                  | 279,350,116        |
| Reinsurance contract liabilities       | -                  | -                  | -                  |
| Accrued income payable to Insurance    | 2,582,066          | -                  | 2,582,066          |
| Lease Liabilities                      | 1,092,627          | -                  | 1,092,627          |
| Accrued expenses and other liabilities | 13,772,899         | -                  | 13,772,899         |
|                                        | <u>296,797,708</u> | <u>-</u>           | <u>296,797,708</u> |

**d).CURRENCY RISK**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

**e).MARKET PRICE RISK**

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

The Company has investments in quoted 'sukuks', fixed rate bonds and locally quoted equities and investment funds (see note 5), which have been classified under 'FVTPL' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the income and consequently 'shareholders' equity (for investments held under shareholders' operations) by SAR 4.44 million (2022: SAR 3.84 million).

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**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**24. PREMIUMS WRITTEN AND CEDED BY TYPE OF CUSTOMERS**

**31 December 2023**

|                          | Medical           | Motors             | Property & Casualty | Total              |
|--------------------------|-------------------|--------------------|---------------------|--------------------|
|                          | SR                |                    |                     |                    |
| Individual clients       | 33,125,703        | 189,146,782        | 2,150,323           | 224,422,808        |
| Very small size entities | 62,148,699        | 19,593,691         | 1,062,534           | 82,804,924         |
| Small size Entities      | 2,105,402         | 18,157,551         | 10,746,155          | 31,009,108         |
| Medium size entities     | 96,405            | 18,747,546         | 9,900,166           | 28,744,117         |
| Large size entities      | 5,116             | 35,876,509         | 19,938,137          | 55,819,762         |
| <b>Total</b>             | <b>97,481,325</b> | <b>281,522,079</b> | <b>43,797,315</b>   | <b>422,800,719</b> |

31 December 2022 (Restated)

|                          | Medical           | Motors             | Property & Casualty | Total              |
|--------------------------|-------------------|--------------------|---------------------|--------------------|
|                          | SR                |                    |                     |                    |
| Individual clients       | 3,714,713         | 170,476,829        | 268,173             | 174,459,715        |
| Very small size entities | 71,900,990        | 4,568,793          | 1,406,277           | 77,876,060         |
| Small size Entities      | 771,344           | 15,094,197         | 8,400,676           | 24,266,217         |
| Medium size entities     | 2,042             | 7,883,926          | 11,982,872          | 19,868,840         |
| Large size entities      | 27,993            | 43,212,400         | 29,128,126          | 72,368,519         |
| <b>Total</b>             | <b>76,417,082</b> | <b>241,236,145</b> | <b>51,186,124</b>   | <b>368,839,351</b> |

**31 December 2023**

|                             | Medical           | Motors             | Property & Casualty | Total              |
|-----------------------------|-------------------|--------------------|---------------------|--------------------|
|                             | SR                |                    |                     |                    |
| Gross written premiums      | 97,481,325        | 281,522,079        | 43,797,315          | 422,800,719        |
| Reinsurance premiums ceded  |                   |                    |                     |                    |
| - Foreign                   | (2,852,551)       | (4,923,535)        | (25,605,501)        | (33,381,587)       |
| - Local                     | (713,140)         | (1,230,882)        | (5,826,057)         | (7,770,079)        |
| <b>Net premiums written</b> | <b>93,915,634</b> | <b>275,367,662</b> | <b>12,365,757</b>   | <b>381,649,053</b> |

31 December 2022 (Restated)

|                             | Medical           | Motors             | Property & Casualty | Total              |
|-----------------------------|-------------------|--------------------|---------------------|--------------------|
|                             | SR                |                    |                     |                    |
| Gross written premiums      | 76,417,082        | 241,236,145        | 51,186,124          | 368,839,351        |
| Reinsurance premiums ceded  |                   |                    |                     |                    |
| - Foreign                   | (3,717,121)       | (1,265,241)        | (36,133,305)        | (41,115,667)       |
| - Local                     | 383,963           | (418,838)          | (5,332,839)         | (5,367,714)        |
| <b>Net premiums written</b> | <b>73,083,924</b> | <b>239,552,066</b> | <b>9,719,980</b>    | <b>322,355,970</b> |



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**25. SUPPLEMENTARY INFORMATION**

|                                                       | 31 December 2023     |                          |                    | 31 December 2022     |                          |                    |
|-------------------------------------------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
|                                                       | Insurance operations | Shareholders' operations | Total              | Insurance operations | Shareholders' operations | Total              |
| <b>ASSETS</b>                                         |                      |                          |                    |                      |                          |                    |
| Cash and cash equivalents                             | 64,579,387           | 34,384,948               | 98,964,335         | 200,508,453          | 55,461,126               | 255,969,579        |
| Investments                                           | 51,588,818           | 225,276,487              | 276,865,305        | 24,998,366           | 162,618,533              | 187,616,899        |
| Term deposits                                         | 170,836,506          | 99,790,159               | 270,626,665        | 90,306,871           | 94,981,504               | 185,288,375        |
| Statutory deposit                                     | -                    | 29,998,695               | 29,998,695         | -                    | 29,998,817               | 29,998,817         |
| Accrued commission income on statutory deposit        | -                    | 1,093,595                | 1,093,595          | -                    | 2,582,066                | 2,582,066          |
| Insurance contract assets                             | 63,445,619           | -                        | 63,445,619         | -                    | -                        | -                  |
| Reinsurance contract assets                           | 38,839,915           | -                        | 38,839,915         | 29,719,291           | -                        | 29,719,291         |
| Right-of-use assets                                   | 273,761              | -                        | 273,761            | 1,334,056            | -                        | 1,334,056          |
| Prepaid expenses and other assets                     | 50,928,575           | 121,634                  | 51,050,209         | 47,135,172           | 96,143                   | 47,231,315         |
| Property and equipment, net                           | 4,167,861            | -                        | 4,167,861          | 3,539,910            | -                        | 3,539,910          |
| Accrued income                                        | 5,461,805            | 6,850,405                | 12,312,210         | 3,745,170            | 5,031,367                | 8,776,537          |
| <b>TOTAL ASSETS</b>                                   | <b>450,122,247</b>   | <b>397,515,923</b>       | <b>847,638,170</b> | <b>401,287,289</b>   | <b>350,769,557</b>       | <b>752,056,846</b> |
| <b>LIABILITIES</b>                                    |                      |                          |                    |                      |                          |                    |
| Insurance contract liabilities                        | 336,580,449          | -                        | 336,580,449        | 279,350,116          | -                        | 279,350,116        |
| Reinsurance contract liabilities                      | 13,002,583           | -                        | 13,002,583         | -                    | -                        | -                  |
| Accrued income payable to Insurance Authority         | -                    | 1,093,595                | 1,093,595          | -                    | 2,582,066                | 2,582,066          |
| Lease Liabilities                                     | -                    | -                        | -                  | 1,092,627            | -                        | 1,092,627          |
| Accrued expenses and other liabilities                | 21,285,037           | 2,205,990                | 23,491,027         | 11,472,476           | 2,300,423                | 13,772,899         |
| Provision for end-of-service benefits                 | 7,826,377            | -                        | 7,826,377          | 8,227,890            | -                        | 8,227,890          |
| Provision for zakat and income tax                    | -                    | 20,807,684               | 20,807,684         | -                    | 26,546,977               | 26,546,977         |
| <b>TOTAL LIABILITIES</b>                              | <b>378,694,446</b>   | <b>24,107,269</b>        | <b>402,801,715</b> | <b>300,143,109</b>   | <b>31,429,466</b>        | <b>331,572,575</b> |
| <b>EQUITY</b>                                         |                      |                          |                    |                      |                          |                    |
| Share capital                                         | -                    | 300,000,000              | 300,000,000        | -                    | 300,000,000              | 300,000,000        |
| Fair value reserve for investments                    | -                    | 41,561,174               | 41,561,174         | -                    | 37,780,049               | 37,780,049         |
| Statutory reserves                                    | -                    | 55,600,756               | 55,600,756         | -                    | 51,584,068               | 51,584,068         |
| Actuarial gain / (loss) on retirement benefit schemes | 3,458,778            | -                        | 3,458,778          | 2,971,159            | -                        | 2,971,159          |
| Retained earnings                                     | -                    | 44,215,747               | 44,215,747         | -                    | 28,148,995               | 28,148,995         |
| <b>TOTAL EQUITY</b>                                   | <b>3,458,778</b>     | <b>441,377,677</b>       | <b>444,836,455</b> | <b>2,971,159</b>     | <b>417,513,112</b>       | <b>420,484,271</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   | <b>382,153,223</b>   | <b>465,484,946</b>       | <b>847,638,170</b> | <b>303,114,268</b>   | <b>448,942,578</b>       | <b>752,056,846</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

**25. SUPPLEMENTARY INFORMATION**

|                                                                        | 31 December 2023     |                          |                    | 31 December 2022<br>(Restated) |                          |                     |
|------------------------------------------------------------------------|----------------------|--------------------------|--------------------|--------------------------------|--------------------------|---------------------|
|                                                                        | Insurance operations | Shareholders' operations | Total              | Insurance operations           | Shareholders' operations | Total               |
| <b>REVENUES</b>                                                        |                      |                          |                    |                                |                          |                     |
| Insurance revenue                                                      | 373,444,279          | -                        | 373,444,279        | 417,102,909                    | -                        | 417,102,909         |
| Insurance service expense                                              | (337,187,783)        | -                        | (337,187,783)      | (442,850,895)                  | -                        | (442,850,895)       |
| Net expenses from reinsurance contracts held                           | (31,270,774)         | -                        | (31,270,774)       | (30,779,734)                   | -                        | (30,779,734)        |
| <b>Insurance service result</b>                                        | <b>4,985,722</b>     | <b>-</b>                 | <b>4,985,722</b>   | <b>(56,527,720)</b>            | <b>-</b>                 | <b>(56,527,720)</b> |
| Fair value change on FVTPL investments                                 | 1,605,110            | 62,930                   | 1,668,040          | (46,224)                       | (8,869,293)              | (8,915,517)         |
| Net gains from sale of investments                                     | -                    | 6,884                    | 6,884              | 700,823                        | 1,363,646                | 2,064,469           |
| Interest revenue from financial assets measured at FVTPL               | 11,741,764           | 10,037,230               | 21,778,994         | 9,547,471                      | 12,372,338               | 21,919,809          |
| Dividend from financial assets measured at FVTPL                       | 507,202              | 4,540,189                | 5,047,391          | -                              | 2,638,070                | 2,638,070           |
| Net expected credit loss reversal on financial assets                  | (21,429)             | 135,844                  | 114,415            | 76,650                         | 1,992,390                | 2,069,040           |
| Other investment income / (loss)                                       | 28,941               | (18,920)                 | 10,021             | (913)                          | 25,942                   | 25,029              |
| <b>Net investment income</b>                                           | <b>13,861,588</b>    | <b>14,764,157</b>        | <b>28,625,745</b>  | <b>10,277,807</b>              | <b>9,523,093</b>         | <b>19,800,900</b>   |
| Finance expense from insurance contracts issued                        | (1,474,382)          | -                        | (1,474,382)        | 4,846,370                      | -                        | 4,846,370           |
| Finance income from reinsurance contracts held                         | (148,630)            | -                        | (148,630)          | (321,600)                      | -                        | (321,600)           |
| <b>Net insurance finance expense</b>                                   | <b>(1,623,012)</b>   | <b>-</b>                 | <b>(1,623,012)</b> | <b>4,524,770</b>               | <b>-</b>                 | <b>4,524,770</b>    |
| <b>Net insurance and investment results</b>                            | <b>17,224,298</b>    | <b>14,764,157</b>        | <b>31,988,455</b>  | <b>(41,725,143)</b>            | <b>9,523,093</b>         | <b>(32,202,050)</b> |
| Other operating expenses                                               | (16,852,134)         | (2,958,889)              | (19,811,023)       | (12,209,479)                   | (2,588,917)              | (14,798,396)        |
| Other income / (expense) net                                           | 13,402,711           | -                        | 13,402,711         | 23,124,541                     | -                        | 23,124,541          |
| <b>Net profit / (loss) attributed to the shareholders before zakat</b> | <b>13,774,875</b>    | <b>11,805,268</b>        | <b>25,580,143</b>  | <b>(30,810,081)</b>            | <b>6,934,176</b>         | <b>(23,875,905)</b> |
| Provision for zakat & tax                                              | -                    | (5,496,703)              | (5,496,703)        | -                              | (5,124,422)              | (5,124,422)         |
| <b>NET PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT</b>  | <b>13,774,875</b>    | <b>6,308,565</b>         | <b>20,083,440</b>  | <b>(30,810,081)</b>            | <b>1,809,754</b>         | <b>(29,000,327)</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

**25. SUPPLEMENTARY INFORMATION (continued)**

|                                                                                      | 31 December 2023        |                             |            | 31 December 2022<br>(Restated) |                             |              |
|--------------------------------------------------------------------------------------|-------------------------|-----------------------------|------------|--------------------------------|-----------------------------|--------------|
|                                                                                      | Insurance<br>operations | Shareholders'<br>operations | Total      | Insurance<br>operations        | Shareholders'<br>operations | Total        |
| NET INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS<br>AFTER ZAKAT AND INCOME TAX     | 13,774,875              | 6,308,565                   | 20,083,440 | (30,810,081)                   | 1,809,754                   | (29,000,327) |
| Items that will not be reclassified to the statement of income<br>in subsequent year |                         |                             |            |                                |                             |              |
| Actuarial gains/(losses) on defined benefit obligation                               | 487,619                 | -                           | 487,619    | 4,040,497                      | -                           | 4,040,497    |
| Net changes in fair value of investments measured at FVOCI – equity instruments      | -                       | 3,781,125                   | 3,781,125  | -                              | -                           | -            |
| TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR                                     | 14,262,494              | 10,089,690                  | 24,352,184 | (26,769,584)                   | 1,809,754                   | (24,959,830) |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

**25. SUPPLEMENTARY INFORMATION (continued)**

|                                                                 | 31 December 2023     |                          |               | 31 December 2022<br>(Restated) |                          |               |
|-----------------------------------------------------------------|----------------------|--------------------------|---------------|--------------------------------|--------------------------|---------------|
|                                                                 | Insurance operations | Shareholders' operations | Total         | Insurance operations           | Shareholders' operations | Total         |
| <b>Cash Flow From Operating Activities</b>                      |                      |                          |               |                                |                          |               |
| Gross income / (loss) for the year before zakat and tax         | 13,774,875           | 11,805,268               | 25,580,143    | (30,810,081)                   | 6,934,176                | (23,875,905)  |
| <b>Adjustments For Non-Cash Items:</b>                          |                      |                          |               |                                |                          |               |
| Depreciation and amortisation of property and equipment         | 1,555,988            | -                        | 1,555,988     | 1,546,077                      | -                        | 1,546,077     |
| Net fair value gain / (loss) on sale of investments at FVTPL    | (1,605,110)          | (62,930)                 | (1,668,040)   | 46,224                         | 8,869,293                | 8,915,517     |
| Interest revenue from financial assets measured at FVTPL        | (11,741,764)         | (10,037,230)             | (21,778,994)  | (9,547,471)                    | (12,372,338)             | (21,919,809)  |
| Dividend from financial assets measured at FVTPL                | (507,202)            | (4,540,189)              | (5,047,391)   | -                              | (2,638,070)              | (2,638,070)   |
| Finance charges on lease liabilities                            | 7,373                | -                        | 7,373         | 29,459                         | -                        | 29,459        |
| Other investment income                                         | (28,941)             | 18,920                   | (10,021)      | 913                            | (25,942)                 | (25,029)      |
| Gain on disposal of property and equipment                      | -                    | -                        | -             | 418,823                        | -                        | 418,823       |
| Provision for employee benefits obligation                      | 1,188,781            | -                        | 1,188,781     | 2,588,798                      | -                        | 2,588,798     |
| Depreciation of Right-of-use assets                             | 1,060,295            | -                        | 1,060,295     | 1,230,319                      | -                        | 1,230,319     |
| Expected credit loss/(gain)                                     | 21,429               | (135,844)                | (114,415)     | (76,650)                       | (1,992,390)              | (2,069,040)   |
|                                                                 | 3,725,724            | (2,952,005)              | 773,719       | (34,573,589)                   | (1,225,271)              | (35,798,860)  |
| <b>Changes In Operating Assets And Liabilities:</b>             |                      |                          |               |                                |                          |               |
| Prepaid expenses and other assets                               | (3,793,402)          | (25,491)                 | (3,818,893)   | (27,650,605)                   | 511,002                  | (27,139,603)  |
| Accrued expenses and other liabilities                          | 9,812,561            | (94,433)                 | 9,718,128     | 2,925,797                      | (249,927)                | 2,675,870     |
| Insurance contracts net                                         | (6,215,286)          | -                        | (6,215,286)   | (74,481,724)                   | -                        | (74,481,724)  |
| Reinsurance contracts net                                       | 3,881,959            | -                        | 3,881,959     | (1,852,646)                    | -                        | (1,852,646)   |
| <b>Cash Generated/(used) from Operating Activities</b>          | 7,411,555            | (3,071,929)              | 4,339,626     | (135,632,767)                  | (964,196)                | (136,596,963) |
| Zakat and income tax paid                                       | -                    | (11,235,996)             | (11,235,996)  | -                              | (11,418,662)             | (11,418,662)  |
| Payment of employee benefits obligation                         | (1,102,675)          | -                        | (1,102,675)   | (2,632,232)                    | -                        | (2,632,232)   |
| <b>Net Cash Generated/(used in) Operating Activities</b>        | 6,308,880            | (14,307,925)             | (7,999,045)   | (138,264,999)                  | (12,382,858)             | (150,647,857) |
| <b>Cash Flow From Investing Activities</b>                      |                      |                          |               |                                |                          |               |
| Additions to property and equipment                             | (2,185,155)          | -                        | (2,185,155)   | (1,422,069)                    | -                        | (1,422,069)   |
| Proceeds from disposal fixed assets                             | 1,216                | -                        | 1,216         | 46,810                         | -                        | 46,810        |
| Additions to investments                                        | (25,000,000)         | (64,344,380)             | (89,344,380)  | (36,686,746)                   | (39,390,770)             | (76,077,516)  |
| Investment income received                                      | 12,230,707           | 11,472,183               | 23,702,890    | 11,516,178                     | 13,518,511               | 25,034,689    |
| Proceeds from sale of investments                               | -                    | 5,511,562                | 5,511,562     | 34,700,822                     | 39,306,099               | 74,006,921    |
| Additions / (disposal) in term deposits                         | (80,783,677)         | (4,808,655)              | (85,592,332)  | 35,099,856                     | 113,642,767              | 148,742,623   |
| <b>Net Cash (used in) / generated from Investing Activities</b> | (95,736,910)         | (52,169,290)             | (147,906,199) | 43,254,851                     | 127,076,607              | 170,331,457   |
| <b>Cash Flow From Financing Activities</b>                      |                      |                          |               |                                |                          |               |
| Lease liabilities paid                                          | (1,100,000)          | -                        | (1,100,000)   | (996,258)                      | -                        | (996,258)     |
| Due to shareholders' operations                                 | (45,401,037)         | 45,401,037               | -             | 124,805,782                    | (124,805,782)            | -             |
| <b>Net Cash used in Financing Activities</b>                    | (46,501,037)         | 45,401,037               | (1,100,000)   | 123,809,524                    | (124,805,782)            | (996,258)     |
| Net (decrease) / increase in cash and cash equivalents          | (135,929,066)        | (21,076,178)             | (157,005,244) | 28,799,376                     | (10,112,033)             | 18,687,342    |
| Cash and cash equivalents at the beginning of the year          | 200,508,453          | 55,461,126               | 255,969,579   | 171,709,078                    | 65,573,159               | 237,282,237   |
| <b>Cash And Cash Equivalents At The End Of The year</b>         | 64,579,387           | 34,384,948               | 98,964,335    | 200,508,453                    | 55,461,126               | 255,969,579   |
| <b>Supplemental Schedule Of Non-Cash Information</b>            |                      |                          |               |                                |                          |               |
| Foreign currency translation adjustments                        | -                    | -                        | -             | -                              | -                        | -             |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**  
*Expressed in Saudi Riyals*

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**26.COMPARATIVE FIGURES**

In addition to change is presentation requirements as per IFRS 17 and IFRS 9, which resulted in the restatement of prior period financial statements, certain prior period figures which have not been impacted by the transition have been reclassified to conform to the current period presentation.

**27.EVENTS AFTER THE REPORTING DATE**

There are no subsequent events to the year ended 31 December 2023.

**28.APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 04 March 2024 corresponding to 23 Shaban, 1445.

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**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

*Expressed in Saudi Arabian Riyals*

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**BURUJ COOPERATIVE INSURANCE COMPANY**  
 (A Saudi Joint Stock Company)

### Opinion

We have audited the financial statements of **Buruj Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2024, the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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") (collectively referred to as "International Financial Reporting Standards" as endorsed in Kingdom of Saudi Arabia).

### 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 Accountant (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the Company's financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2024. 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. Following is the description of the key audit matter and how the key audit matter was addressed:

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                        | How the key matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities:</b><br>As at 31 December 2024, estimate of present value of cash flows and risk adjustment for non-financial risk for insurance contracts issued amounted to SR 99.448 million and SR 5.102 million (2023: SR 156.967 million and SR 6.003 million), respectively. | We performed the following procedures: <ul style="list-style-type: none"> <li>Assessed the design and implementation of internal control procedures and their operational effectiveness;</li> <li>Evaluated and tested the data used in the process of valuation of the "Present Value of Future Cash Flows" (PVFCFs);</li> <li>Tested samples of claims reserves by comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters, reinsurance contracts etc.;</li> </ul> |





**INDEPENDENT AUDITORS' REPORT (Continued...)**  
**To the Shareholders of**  
**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Key Audit Matters (Continued...)**

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How the key matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities:</b></p> <p>The estimation of the liability for incurred claims and loss component involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils its obligations under insurance contracts. The present value of future cash flows is based on the best- estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>The loss component is recognized if at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous. Such loss component is remeasured at each reporting date as the difference between the amounts of the fulfillments cashflows determined under the general measurement model relating to the future service and the carrying amount of the liability for remaining coverage without the loss component.</p> <p>Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> | <ul style="list-style-type: none"> <li>• Evaluated the objectivity, skills, qualifications and competence of the independent external actuary and reviewing the terms of the actuary's engagement with the Company to determine if the scope of their work was sufficient for audit purposes.</li> <li>• Assessed the disclosures relating to this matter in the financial statements against the requirements of IFRSs.</li> </ul> <p>In addition, with the assistance of our actuarial specialists, we performed the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the Company's actuarial practices and provisions established, including the actuarial report issued by management's expert;</li> <li>• Assessed the calculation methods and the models used;</li> <li>• Assessed key actuarial assumptions including loss ratios, claims development factors, mortality rates, lapse rates and discount rates;</li> <li>• Determined if the estimates applied in the current and prior year were consistent; and</li> <li>• Developed a point estimate or range based on our understanding of the Company's business and evaluated the differences between management's point estimate and our point estimate or range.</li> </ul> |

**INDEPENDENT AUDITORS' REPORT (Continued...)****To the Shareholders of****BURUJ COOPERATIVE INSURANCE COMPANY****(A Saudi Joint Stock Company)****Key audit matter (Continued...)**

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How the key matter was addressed in our audit |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <p>Due to the inherent estimation uncertainty, complexity and subjectivity involved in the valuation of the estimates of present value of future cashflows, risk adjustment for non-financial risk and loss component arising from insurance contracts, we have considered this as a key audit matter.</p> <p>Refer to notes 3 for the material accounting policies and significant accounting judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities.</p> |                                               |

**Other Information**

Management is responsible for the other information. Other information comprises the information included in the Company's 2024 annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statement 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 other information, 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 IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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.



## **INDEPENDENT AUDITORS' REPORT (Continued...)**

**To the Shareholders of**

**BURUJ COOPERATIVE INSURANCE COMPANY**

**(A Saudi Joint Stock Company)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued...)**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as 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 ISAs, 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 the managements' 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; and
- 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 (Continued...)****To the Shareholders of****BURUJ COOPERATIVE INSURANCE COMPANY****(A Saudi Joint Stock Company)****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 material audit findings, including any material 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

**Crowe Solutions for Professional Consulting**  
**Member Crowe Global**  
 P. O. Box 10504  
 Riyadh 11443  
 Kingdom of Saudi Arabia

**Musab Abdulrahman Al-Shaikh**  
 Certified Public Accountant  
 License No. 658

**El Sayed El Ayouty & Co.**  
**Certified Public Accountants**  
 P. O. Box 780  
 Jeddah 21421  
 Kingdom of Saudi Arabia

**Abdullah Ahmed Balamesh**  
 Certified Public Accountant  
 License No. 345

March 26, 2025  
 Ramadan 26, 1446 H



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

|                                                | Note | 31 December<br>2024 | 31 December 2023   |
|------------------------------------------------|------|---------------------|--------------------|
| <b>ASSETS</b>                                  |      |                     |                    |
| Cash and cash equivalents                      | 4    | 173,678,154         | 98,964,335         |
| Investments                                    | 5    | 245,182,369         | 276,865,305        |
| Term deposits                                  | 6    | 191,880,330         | 270,626,665        |
| Statutory deposit                              | 7    | 29,998,613          | 29,998,695         |
| Accrued commission income on statutory deposit | 7    | 1,881,070           | 1,093,595          |
| Insurance contract assets                      | 18   | 22,991,247          | 63,445,619         |
| Reinsurance contract assets                    | 18   | 52,899,154          | 38,839,915         |
| Right-of-use assets                            | 8    | 2,642,065           | 273,761            |
| Prepaid expenses and other assets              | 9    | 33,229,886          | 51,050,209         |
| Property and equipment, net                    | 10   | 6,427,722           | 4,167,861          |
| Accrued income                                 |      | 8,276,718           | 12,312,210         |
| <b>TOTAL ASSETS</b>                            |      | <b>769,087,328</b>  | <b>847,638,170</b> |
| <b>LIABILITIES</b>                             |      |                     |                    |
| Insurance contract liabilities                 | 18   | 234,244,827         | 336,580,449        |
| Reinsurance contract liabilities               | 18   | 12,825,645          | 13,002,583         |
| Accrued income payable to Insurance Authority  | 7    | 1,881,070           | 1,093,595          |
| Lease liabilities                              | 8    | 2,370,538           | -                  |
| Accrued expenses and other liabilities         | 11   | 27,796,196          | 23,491,027         |
| Provision for end of service benefits          | 12   | 5,060,010           | 7,826,377          |
| Provision for zakat and income tax             | 15   | 10,536,540          | 20,807,684         |
| <b>TOTAL LIABILITIES</b>                       |      | <b>294,714,826</b>  | <b>402,801,715</b> |
| <b>EQUITY</b>                                  |      |                     |                    |
| Share capital                                  | 20   | 300,000,000         | 300,000,000        |
| Statutory reserves                             | 21   | 57,477,869          | 55,600,756         |
| Retained earnings                              |      | 51,724,199          | 44,215,747         |
| Fair value reserve for investments             |      | 59,231,336          | 41,561,174         |
| Actuarial gain on end of service benefits      |      | 5,939,098           | 3,458,778          |
| <b>TOTAL EQUITY</b>                            |      | <b>474,372,502</b>  | <b>444,836,455</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>            |      | <b>769,087,328</b>  | <b>847,638,170</b> |
| <b>COMMITMENTS AND CONTINGENCIES</b>           | 16   | -                   | -                  |



Board Member



Chief Executive Officer



Chief Financial Officer

The accompanying notes from 1 to 29 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

|                                                                   | Note | 31 December<br>2024 | 31 December<br>2023 |
|-------------------------------------------------------------------|------|---------------------|---------------------|
| <b>REVENUES</b>                                                   |      |                     |                     |
| Insurance revenue                                                 | 17   | 372,730,192         | 373,444,279         |
| Insurance service expense                                         | 17   | (343,707,688)       | (337,187,783)       |
| Net expenses from reinsurance contracts held                      | 17   | (14,972,451)        | (31,270,774)        |
| <b>Insurance service result</b>                                   |      | <b>14,050,053</b>   | <b>4,985,722</b>    |
| Fair value change on FVTPL investments                            | 5.1  | (3,490,755)         | 1,668,040           |
| Net gains from sale of investments                                | 5.1  | (2,611,606)         | 6,884               |
| Interest revenue from financial assets measured at FVTPL          | 5.1  | 2,636,322           | 3,136,253           |
| Interest revenue from financial assets measured at amortised cost | 5.1  | 18,862,029          | 18,642,741          |
| Dividend from financial assets measured at FVTPL                  | 5.1  | 10,495,191          | 5,047,391           |
| Net expected credit loss reversal on financial assets             | 5.1  | (494,420)           | 114,415             |
| Other investment income                                           | 5.1  | (629,631)           | 10,021              |
| <b>Net investment income</b>                                      |      | <b>24,767,130</b>   | <b>28,625,745</b>   |
| Finance expense from insurance contracts issued                   | 17   | (526,350)           | (1,474,382)         |
| Finance expenses from reinsurance contracts held                  | 17   | (1,039,499)         | (148,630)           |
| <b>Net insurance finance expense</b>                              |      | <b>(1,565,849)</b>  | <b>(1,623,012)</b>  |
| <b>Net insurance and investment results</b>                       |      | <b>37,251,334</b>   | <b>31,988,455</b>   |
| Other operating expenses                                          | 14   | (19,971,787)        | (19,811,023)        |
| Other income net                                                  |      | 1,912,053           | 13,402,711          |
| <b>Net profit attributed to the shareholders before zakat</b>     |      | <b>19,191,600</b>   | <b>25,580,143</b>   |
| Provision for zakat & tax                                         | 15   | (9,806,035)         | (5,496,703)         |
| <b>NET PROFIT ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT</b>      |      | <b>9,385,565</b>    | <b>20,083,440</b>   |
| <b>Earning per share (Basic and diluted)</b>                      | 22   | <b>0.31</b>         | <b>0.67</b>         |

  
Board Member

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes from 1 to 29 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024**

*Expressed in Saudi Arabian Riyals*

|                                                                                                | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>NET INCOME ATTRIBUTED TO<br/>THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>                | <b>9,385,565</b>            | <b>20,083,440</b>           |
| <b>Items that will never be reclassified to the<br/>statement of income in subsequent year</b> |                             |                             |
| Actuarial gain on end of service benefits                                                      | <b>2,480,320</b>            | 487,619                     |
| Net changes in fair value of investments measured at<br>FVOCI – equity instruments             | <b>17,670,162</b>           | 3,781,125                   |
| <b>TOTAL COMPREHENSIVE INCOME FOR<br/>THE YEAR</b>                                             | <b>29,536,047</b>           | <b>24,352,184</b>           |



Board Member



Chief Executive Officer



Chief Financial Officer

The accompanying notes from 1 to 29 form part of these financial statements.



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

|                                                                               | Share capital      | Statutory reserves | Retained earnings | Fair value reserve for investments | Actuarial gain on end of service benefits | Foreign currency translation adjustments | Total equity       |
|-------------------------------------------------------------------------------|--------------------|--------------------|-------------------|------------------------------------|-------------------------------------------|------------------------------------------|--------------------|
| <b>31 December 2024</b>                                                       |                    |                    |                   |                                    |                                           |                                          |                    |
| <b>Balance at 1 January 2024</b>                                              | 300,000,000        | 55,600,756         | 44,215,747        | 41,561,174                         | 3,458,778                                 | -                                        | 444,836,455        |
| <b>Total comprehensive income for the year:</b>                               |                    |                    |                   |                                    |                                           |                                          |                    |
| Net income for the year attributable to the shareholders                      | -                  | -                  | 9,385,565         | -                                  | -                                         | -                                        | 9,385,565          |
| Statutory reserves                                                            | -                  | 1,877,113          | (1,877,113)       | -                                  | -                                         | -                                        | -                  |
| Fair value of investments measured at FVOCI – equity instruments              | -                  | -                  | -                 | 17,670,162                         | -                                         | -                                        | 17,670,162         |
| Actuarial gain / (loss) on retirement benefit schemes                         | -                  | -                  | -                 | -                                  | 2,480,320                                 | -                                        | 2,480,320          |
| <b>Total comprehensive income for the year attributed to the shareholders</b> | -                  | 1,877,113          | 7,508,452         | 17,670,162                         | 2,480,320                                 | -                                        | 29,536,047         |
| <b>Balance at the end of the year</b>                                         | <b>300,000,000</b> | <b>57,477,869</b>  | <b>51,724,199</b> | <b>59,231,336</b>                  | <b>5,939,098</b>                          | <b>-</b>                                 | <b>474,372,502</b> |
| <b>31 December 2023</b>                                                       |                    |                    |                   |                                    |                                           |                                          |                    |
| <b>Balance at 1 January 2023</b>                                              | 300,000,000        | 51,584,068         | 28,148,995        | 37,780,049                         | 2,971,159                                 | -                                        | 420,484,271        |
| <b>Total comprehensive income for the year:</b>                               |                    |                    |                   |                                    |                                           |                                          |                    |
| Net income for the year attributable to the shareholders                      | -                  | -                  | 20,083,440        | -                                  | -                                         | -                                        | 20,083,440         |
| Statutory reserves                                                            | -                  | 4,016,688          | (4,016,688)       | -                                  | -                                         | -                                        | -                  |
| Fair value of investments measured at FVOCI – equity instruments              | -                  | -                  | -                 | 3,781,125                          | -                                         | -                                        | 3,781,125          |
| Actuarial gain on retirement benefit schemes                                  | -                  | -                  | -                 | -                                  | 487,619                                   | -                                        | 487,619            |
| <b>Total comprehensive income for the year attributed to the shareholders</b> | -                  | 4,016,688          | 16,066,752        | 3,781,125                          | 487,619                                   | -                                        | 24,352,184         |
| <b>Balance at the end of the year</b>                                         | <b>300,000,000</b> | <b>55,600,756</b>  | <b>44,215,747</b> | <b>41,561,174</b>                  | <b>3,458,778</b>                          | <b>-</b>                                 | <b>444,836,455</b> |

*Engr. Hassan*  
Board Member

*Engr. Hassan*  
Chief Executive Officer

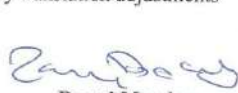
*Engr. Hassan*  
Chief Financial Officer

The accompanying notes from 1 to 29 form part of these financial statements.



**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

|                                                                 | Note | 31 December<br>2024 | 31 December 2023 |
|-----------------------------------------------------------------|------|---------------------|------------------|
| <b>CASHFLOWS FROM OPERATING ACTIVITIES</b>                      |      |                     |                  |
| Gross income for the year before zakat and tax                  |      | 19,191,600          | 25,580,143       |
| <b>Adjustments for non-cash Items:</b>                          |      |                     |                  |
| Depreciation of property and equipment                          | 10   | 1,744,305           | 1,555,988        |
| Net fair value loss / (gain) on sale of investments at FVTPL    | 5.1  | 3,490,755           | (1,668,040)      |
| Interest revenue from financial assets                          | 5.1  | (21,498,351)        | (21,778,994)     |
| Dividend from financial assets measured at FVTPL                | 5.1  | (10,495,191)        | (5,047,391)      |
| Finance charges on lease liabilities                            | 8    | 112,783             | 7,373            |
| Other investment income                                         |      | 629,631             | (10,021)         |
| Loss on disposal of property and equipment                      |      | 4,815               | -                |
| Provision for employee benefits obligation                      | 12   | 1,120,215           | 1,188,781        |
| Depreciation of right-of-use assets                             | 8    | 1,154,450           | 1,060,295        |
| Expected credit loss / (gain)                                   |      | (93,034)            | (114,415)        |
|                                                                 |      | (4,638,022)         | 773,719          |
| <b>Changes in operating assets and liabilities:</b>             |      |                     |                  |
| Prepaid expenses and other assets                               |      | 17,820,323          | (3,818,893)      |
| Accrued expenses and other liabilities                          |      | 4,305,169           | 9,718,127        |
| Insurance contracts net                                         |      | (61,881,250)        | (6,215,286)      |
| Reinsurance contracts net                                       |      | (14,236,177)        | 3,881,959        |
| <b>Cash generated from / (used in) operating activities</b>     |      | (53,991,935)        | 3,565,907        |
| Zakat and income tax paid                                       |      | (20,077,179)        | (11,235,996)     |
| Payment of employee benefits obligation                         | 12   | (1,406,262)         | (1,102,675)      |
| <b>Net cash used in operating activities</b>                    |      | (80,113,398)        | (7,999,045)      |
| <b>CASHFLOWS FROM INVESTING ACTIVITIES</b>                      |      |                     |                  |
| Additions to property and equipment                             | 10   | (4,011,503)         | (2,185,155)      |
| Proceeds from disposal of property and equipment                |      | 138,653             | 1,216            |
| Additions to investments                                        | 5.1  | (2,851,483)         | (89,344,380)     |
| Investment income received                                      |      | 36,029,034          | 23,702,890       |
| Proceeds from sale of investments                               | 5.1  | 47,948,147          | 5,511,562        |
| Additions / (disposal) in term deposits                         | 6    | 78,839,369          | (85,592,332)     |
| <b>Net cash (used in) / generated from investing activities</b> |      | 156,092,217         | (147,906,199)    |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES</b>                      |      |                     |                  |
| Lease liabilities paid                                          | 8    | (1,265,000)         | (1,100,000)      |
| <b>Net cash used in financing activities</b>                    |      | (1,265,000)         | (1,100,000)      |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   |      | 74,713,819          | (157,005,244)    |
| <b>Cash and cash equivalents at the beginning of the year</b>   |      | 98,964,335          | 255,969,579      |
| <b>Cash and cash equivalents at the end of the year</b>         |      | 173,678,154         | 98,964,335       |
| <b>Supplemental schedule of non-cash information</b>            |      |                     |                  |
| Foreign currency translation adjustments                        |      | -                   | -                |

  
Board Member

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes from 1 to 29 form part of these financial statements.

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

*Expressed in Saudi Arabian Riyals*

**1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Central Bank ("SAMA") issued a formal approval to transact insurance business. The Company launched its insurance operations on 1 July 2010 after receipt of an authorization from Insurance Authority (IA) previously SAMA to commence insurance operations as product approval and related formalities were completed. During the year 2023 the Insurance Authority has been established by royal decree as insurance industry regulator. Previously regulations issued by SAMA will be upheld until IA issued updated regulations.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by IA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia (KSA) by Saudi Organization for Chartered & Professional Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

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 25 to these financial statements provides the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations, separately. The accounting policies adopted for the insurance and shareholders' operations are in accordance with IFRS as endorsed by SOCPA.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments, investment in associates which is accounted for under the equity method and employees' end of service benefits at present value.

**b) Functional and presentational currency**

The functional and presentation currency of the Company is Saudi Arabian Riyals.

**c) Fiscal year**

The Company follows the fiscal year ending December 31.

**d) Joint operations "Inherent Defects Insurance" (IDI)**

The Company accounts for its rights and obligations of the joint operations by recognizing its assets, its liabilities, its revenue and its expenses at the rate 1.28% of Company interest in joint operations (IDI) according to the IFRS 11.

**e) Critical accounting judgements, estimates and assumptions**

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

**i) Insurance Contracts**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

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

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

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**2. BASIS OF PREPARATION (CONTINUED)**

**ii) Fair value of financial instruments**

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

**iii) Expense Attribution**

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense levels adjusted for inflation, where applicable. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. Claims settlement-related expenses are allocated based on the claims costs.

**iv) Calculation of expected credit losses**

Expected credit losses (ECL) utilize model based assumptions to estimate impairment of financial assets and premiums receivable. ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

As for ECL for reinsures and contracts held, the Company adopted a specific model for reinsures where by credit losses are estimated based on the credit ratings of reinsures, as published by international rating agencies at the measurement date.

**3. MATERIAL ACCOUNTING POLICIES**

The material accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

**3.1 IFRS 17 - Insurance Contracts**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

**2. BASIS OF PREPARATION (CONTINUED):**

**3.1 IFRS 17 - Insurance Contracts**

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA) other than the "Inherent Defects Insurance" (IDI) joint operations business explained in note 2(b) and in Company's financial statements. Company accounts for its rights and obligations of the joint operations by recognizing its assets, liabilities, revenue and expenses at the rate 1.28% of Company's interest in the joint operation (IDI) according to IFRS 11. The PAA simplifies the measurement of insurance contracts in comparison to the general measurement model (GMM) in IFRS 17.

**(a) Initial and subsequent measurement**

For groups of issued contracts, a group should be recognized at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognized on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognizes an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and LIC, comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

**(b) Liability for Remaining Coverage "LRC"**

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

- Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- Decreased for insurance acquisition cash flows paid in the period;
- Decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period; and
- Increased for the amortization of insurance acquisition cash flows in the period recognized 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.

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.

The Company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfillment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

**(c) Liability for Incurred Claims "LIC"**

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM.

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 fulfills 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 statement of financial position 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, geographical area, as well as claim type. Loss ratio is the ratio of total claims incurred to total premiums earned for the portfolio.

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.

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.1 IFRS 17 - Insurance Contracts (continued)**

**(c) Liability for Incurred Claims "LIC" (continued)**

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. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes in settling claims from the date they are incurred. The Company has elected the accounting policy choice to present entire insurance finance income or expense for the period in the statement of income.

**(d) Contract boundary**

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups 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 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 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. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

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

**(e) Insurance acquisition costs**

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition costs fall under the insurance service expense. The Company amortizes the insurance acquisition costs over the contract period.

**(f) Directly attributable expenses**

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers. Attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

**(g) Other operating expenses**

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

The Company holds quota share reinsurance contract that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfillment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

**(h) Insurance revenue**

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

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

**(i) Insurance service expenses**

Insurance service expenses include the following:

- Incurred claims for the period.
- Other incurred directly attributable expenses.
- Insurance acquisition cash flows amortization.
- Changes that relate to past service – changes in the FCF relating to the LIC.
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.1 IFRS 17 - Insurance Contracts (continued)**

**(j) Onerous contract**

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to the statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

In the statement of financial position, deferred acquisition costs and premiums receivable will no longer be presented separately as they are part of liability for remaining coverage. Similarly, receivables from reinsurers and deferred reinsurance commissions will be part of reinsurance assets. This will lead to the reduction of assets and liabilities previously presented.

**3.2 IFRS 9 - Financial Instruments**

**(a) Classification and Measurement**

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

The IAS 39 measurement categories for financial assets (fair value through profit or loss, available for sale, held-to-maturity, and loans and receivables, at amortized cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through income/loss for valuation and on derecognition;
- Debt instruments at amortized cost; and
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition.

**(b) Impairment Calculation**

Under IFRS 9, the expected credit loss ("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 material 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 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.

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

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

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

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

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of probability of default.

IFRS 9 impairment applies to financial instruments that are not measured at Fair Value through the statement of through income. Equity instruments measured at fair value through other comprehensive income are also excluded from the purview of impairment.

**(c) 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.

- 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

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

**3.4 Property and equipment**

Property and equipment are initially recorded in the statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

**3.5 Accrued and other liabilities**

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

**3.6 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

**3.7 Provision for end-of-service benefits**

Provision 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 the expected future wages 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 it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income.

**3.8 Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Company applies the cost model, and measure right of use asset at cost;  
- less any accumulated depreciation and any accumulated impairment losses; and  
- adjusted for any re-measurement of the lease liability for lease modifications.

**3.9 Lease liabilities**

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

**3.10 Zakat**

The zakat provision is calculated on the 100% capital.

**3.11 Application of new and revised International Financial Reporting Standards (IFRS Accounting Standards) ('IFRS')**

New and amended IFRS in issue but not yet effective and not early adopted. The Company has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective.

| <b>New and revised IFRS</b>                                                                                                            | <b>Effective for annual</b> |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture               | Available for optional      |
| Amendments to IAS 21 – Lack of Exchangeability                                                                                         | 1 January 2025              |
| The new standard, IFRS 18 - Presentation and Disclosure in Financial Statements (replacing IAS 1 Presentation of Financial Statements) | 1 January 2025              |
| IFRS 19 – Subsidiaries without Public Accountability: Disclosures                                                                      | 1 January 2025              |
| The new standard, IFRS S1 'General requirements for disclosure of sustainability-related financial information; and                    | 1 January 2025              |
| The new standard, IFRS S2 'Climate-related disclosures'                                                                                | 1 January 2025, subject to  |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

New and revised IFRS that are effective for the current year.

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. The application of these revised IFRS, did not have any material impact on the amounts reported for the current and prior years.

| <b>New and revised IFRS</b>                                                        | <b>Effective for annual</b> |
|------------------------------------------------------------------------------------|-----------------------------|
| Amendments to IAS 1 – Classification of Liabilities as Current or Non-current      | 1 January 2024              |
| Amendments to IAS 1 – Non-current Liabilities with Covenants                       | 1 January 2024              |
| Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback arrangement | 1 January 2024              |
| Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements        | 1 January 2024              |
| Amendments to IAS 21 – Lack of exchangeability                                     | 1 January 2024              |

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**4. CASH AND CASH EQUIVALENTS**

|                                | 31 December 2024     |                          |                    |
|--------------------------------|----------------------|--------------------------|--------------------|
|                                | Insurance operations | Shareholders' operations | Total              |
|                                | SAR                  |                          |                    |
| Cash in hand and banks         | 111,832,363          | 5,699,931                | 117,532,294        |
| Short term deposits            | 20,000,000           | 36,742,460               | 56,742,460         |
| Impact of expected credit loss | (7,322)              | (589,278)                | (596,600)          |
|                                | <u>131,825,041</u>   | <u>41,853,113</u>        | <u>173,678,154</u> |
|                                | 31 December 2023     |                          |                    |
|                                | Insurance operations | Shareholders' operations | Total              |
|                                | SAR                  |                          |                    |
| Cash in hand and banks         | 29,585,237           | 4,835,267                | 34,420,504         |
| Short term deposits            | 34,996,914           | 29,556,292               | 64,553,206         |
| Impact of expected credit loss | (2,764)              | (6,611)                  | (9,375)            |
|                                | <u>64,579,387</u>    | <u>34,384,948</u>        | <u>98,964,335</u>  |

**5. INVESTMENTS**

Investments comprise of the following:

|                                                                  | 31 December 2024     |                          |                    |
|------------------------------------------------------------------|----------------------|--------------------------|--------------------|
|                                                                  | Insurance operations | Shareholders' operations | Total              |
|                                                                  | SAR                  |                          |                    |
| Investments in quoted fixed income securities at FVTPL           | -                    | 45,462,673               | 45,462,673         |
| Investments in unquoted Equity carried at Fair value through OCI | -                    | 61,154,414               | 61,154,414         |
| Investment in associate                                          | -                    | 236,372                  | 236,372            |
| Investments in equity carried at FVTPL                           | -                    | 12,281,806               | 12,281,806         |
| Investments in funds carried at FVTPL                            | 24,985,342           | 101,061,762              | 126,047,104        |
| <b>Total</b>                                                     | <u>24,985,342</u>    | <u>220,197,027</u>       | <u>245,182,369</u> |
|                                                                  | 31 December 2023     |                          |                    |
|                                                                  | Insurance operations | Shareholders' operations | Total              |
|                                                                  | SAR                  |                          |                    |
| Investments in quoted fixed income securities at FVTPL           | -                    | 61,654,331               | 61,654,331         |
| Investments in unquoted Equity carried at Fair value through OCI | -                    | 43,484,252               | 43,484,252         |
| Investment in associate                                          | -                    | 896,293                  | 896,293            |
| Investments in equity carried at FVTPL                           | -                    | 14,167,626               | 14,167,626         |
| Investments in funds carried at FVTPL                            | 51,588,818           | 105,073,985              | 156,662,803        |
| <b>Total</b>                                                     | <u>51,588,818</u>    | <u>225,276,487</u>       | <u>276,865,305</u> |

- The movement in investments is as follows:

|                                          | Insurance operations |                   |
|------------------------------------------|----------------------|-------------------|
|                                          | 31 December 2024     | 31 December 2023  |
|                                          | SAR                  |                   |
| Beginning balance                        | 51,588,818           | 24,998,366        |
| Additions                                | -                    | 25,000,000        |
| Disposals                                | (26,866,462)         | -                 |
|                                          | <u>24,722,356</u>    | <u>49,998,366</u> |
| Changes in fair value FVTPL              | 262,986              | 1,605,110         |
| Change in fair value FVTOCI              | -                    | -                 |
| Foreign currency translation adjustments | -                    | (14,658)          |
| <b>Ending balance</b>                    | <u>24,985,342</u>    | <u>51,588,818</u> |



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**5. INVESTMENTS (CONTINUED)**

|                                                            | Shareholders' operations |                     |
|------------------------------------------------------------|--------------------------|---------------------|
|                                                            | 31 December<br>2024      | 31 December<br>2023 |
|                                                            | SAR                      |                     |
| Beginning balance                                          | 224,380,194              | 161,483,962         |
| Additions                                                  | 2,851,483                | 64,344,380          |
| Disposals                                                  | (21,081,685)             | (5,511,562)         |
| Impairments                                                | -                        | -                   |
|                                                            | 206,149,992              | 220,316,780         |
| Changes in fair value FVTPL                                | (3,753,741)              | 62,930              |
| Change in fair value FVTOCI                                | 17,670,162               | 3,781,125           |
| Foreign currency translation adjustments                   | (105,758)                | 219,359             |
| <b>Ending balance</b>                                      | <b>219,960,655</b>       | <b>224,380,194</b>  |
| <b>Movement in investments in associate is as follows:</b> |                          |                     |
| Beginning balance                                          | 896,293                  | 1,134,571           |
| Share of profit / (loss)                                   | (659,921)                | (238,278)           |
| <b>Ending balance</b>                                      | <b>236,372</b>           | <b>896,293</b>      |
| <b>Total ending balance</b>                                | <b>220,197,027</b>       | <b>225,276,487</b>  |

**Fair value hierarchy:**

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

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

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

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

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

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

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

The 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 a reasonable approximation to fair value:

| 31 December 2024                                  | Fair value        |                    |                   |                    |
|---------------------------------------------------|-------------------|--------------------|-------------------|--------------------|
|                                                   | Level 1           | Level 2            | Level 3           | Total              |
|                                                   | SAR               |                    |                   |                    |
| - Equities                                        | 12,281,806        | -                  | 61,154,414        | 73,436,220         |
| - Fixed income securities                         | 45,462,673        | -                  | -                 | 45,462,673         |
| - Units in investment funds and real estate funds | -                 | 126,047,104        | -                 | 126,047,104        |
| <b>Total</b>                                      | <b>57,744,479</b> | <b>126,047,104</b> | <b>61,154,414</b> | <b>244,945,997</b> |
|                                                   |                   |                    |                   |                    |
| 31 December 2023                                  | Fair value        |                    |                   |                    |
|                                                   | Level 1           | Level 2            | Level 3           | Total              |
|                                                   | SAR               |                    |                   |                    |
| - Equities                                        | 26,441,976        | -                  | 43,484,252        | 69,926,228         |
| - Fixed income securities                         | 61,654,331        | -                  | -                 | 61,654,331         |
| - Units in investment funds and real estate funds | -                 | 144,388,453        | -                 | 144,388,453        |
| <b>Total</b>                                      | <b>88,096,307</b> | <b>144,388,453</b> | <b>43,484,252</b> | <b>275,969,012</b> |

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**5. INVESTMENTS (CONTINUED)**

**5.1 Details of investment income for the year as following:**

|                                                                  | <b>31 December 2024</b>     |                                 |                   |
|------------------------------------------------------------------|-----------------------------|---------------------------------|-------------------|
|                                                                  | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>      |
|                                                                  | <b>SAR</b>                  |                                 |                   |
| Fair value change on FVTPL investments                           | 262,986                     | (3,753,741)                     | (3,490,755)       |
| Net loss from sale of investments                                | -                           | (2,611,606)                     | (2,611,606)       |
| Interest revenue from financial assets measured at amortize cost | 13,040,698                  | 5,821,331                       | 18,862,029        |
| Interest revenue from financial assets measured at FVTPL         | -                           | 2,636,322                       | 2,636,322         |
| Dividend from financial assets measured at FVTPL                 | 2,105,804                   | 8,389,387                       | 10,495,191        |
| Net expected credit loss reversal on financial assets            | (35,162)                    | (459,258)                       | (494,420)         |
| Other investment income / (loss)                                 | 136,053                     | (765,684)                       | (629,631)         |
| <b>Total</b>                                                     | <b>15,510,379</b>           | <b>9,256,751</b>                | <b>24,767,130</b> |

|                                                                  | <b>31 December 2023</b>     |                                 |                   |
|------------------------------------------------------------------|-----------------------------|---------------------------------|-------------------|
|                                                                  | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>      |
|                                                                  | <b>SAR</b>                  |                                 |                   |
| Fair value change on FVTPL investments                           | 1,605,110                   | 62,930                          | 1,668,040         |
| Net gains from sale of investments                               | -                           | 6,884                           | 6,884             |
| Interest revenue from financial assets measured at amortize cost | 11,741,764                  | 6,900,977                       | 18,642,741        |
| Interest revenue from financial assets measured at FVTPL         | -                           | 3,136,253                       | 3,136,253         |
| Dividend from financial assets measured at FVTPL                 | 507,202                     | 4,540,189                       | 5,047,391         |
| Net expected credit loss reversal on financial assets            | (21,429)                    | 135,844                         | 114,415           |
| Other investment income / (loss)                                 | 28,941                      | (18,920)                        | 10,021            |
| <b>Total</b>                                                     | <b>13,861,588</b>           | <b>14,764,157</b>               | <b>28,625,745</b> |

**6. TERM DEPOSITS**

Term deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 5.50% per annum (2023: 5.57%). The movement in term deposits are as follows:

|                                      | <b>31 December 2024</b>     |                                 |                    |
|--------------------------------------|-----------------------------|---------------------------------|--------------------|
|                                      | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>       |
|                                      | <b>SAR</b>                  |                                 |                    |
| Beginning balance                    | 170,836,506                 | 99,790,159                      | 270,626,665        |
| Additions                            | 102,041,338                 | 90,000,000                      | 192,041,338        |
| Disposals                            | (170,836,506)               | (99,790,159)                    | (270,626,665)      |
| Allowance for expected credit losses | (74,657)                    | (86,351)                        | (161,008)          |
| <b>Ending balance</b>                | <b>101,966,681</b>          | <b>89,913,649</b>               | <b>191,880,330</b> |

|                                      | <b>31 December 2023</b>     |                                 |                    |
|--------------------------------------|-----------------------------|---------------------------------|--------------------|
|                                      | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>       |
|                                      | <b>SAR</b>                  |                                 |                    |
| Beginning balance                    | 90,306,871                  | 94,981,504                      | 185,288,375        |
| Additions                            | 170,880,707                 | 100,000,000                     | 270,880,707        |
| Disposals                            | (90,306,871)                | (94,981,504)                    | (185,288,375)      |
| Allowance for expected credit losses | (44,201)                    | (209,841)                       | (254,042)          |
| <b>Ending balance</b>                | <b>170,836,506</b>          | <b>99,790,159</b>               | <b>270,626,665</b> |

**6.1 Movement in allowance for expected credit losses for the year is as follows:**

|                                                                     | <b>31 December 2024</b>     |                                 |                |
|---------------------------------------------------------------------|-----------------------------|---------------------------------|----------------|
|                                                                     | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>   |
|                                                                     | <b>SAR</b>                  |                                 |                |
| Beginning balance                                                   | 44,201                      | 209,841                         | 254,042        |
| Allowance for expected credit losses made / (reversal) for the year | 30,456                      | (123,490)                       | (93,034)       |
| <b>Ending balance</b>                                               | <b>74,657</b>               | <b>86,351</b>                   | <b>161,008</b> |

|                                                                 | <b>31 December 2023</b>     |                                 |                |
|-----------------------------------------------------------------|-----------------------------|---------------------------------|----------------|
|                                                                 | <b>Insurance operations</b> | <b>Shareholders' operations</b> | <b>Total</b>   |
|                                                                 | <b>SAR</b>                  |                                 |                |
| Beginning balance                                               | 17,850                      | 18,496                          | 36,346         |
| Allowance for expected credit losses reversed made for the year | 26,351                      | 191,345                         | 217,696        |
| <b>Ending balance</b>                                           | <b>44,201</b>               | <b>209,841</b>                  | <b>254,042</b> |

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**7. STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local bank designated by IA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of IA.

|                                     | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | <b>SAR</b>                  |                             |
| Statutory deposit                   | <b>29,998,613</b>           | 29,998,695                  |
| Accrued income on statutory deposit | <b>1,881,070</b>            | 1,093,595                   |

**8. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

|                                                         | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|---------------------------------------------------------|-----------------------------|-----------------------------|
|                                                         | <b>SAR</b>                  |                             |
| <b>Cost</b>                                             |                             |                             |
| As at 01 January                                        | <b>2,740,619</b>            | 2,740,619                   |
| Additions                                               | <b>3,522,755</b>            | -                           |
| Disposal                                                | <b>(2,740,619)</b>          | -                           |
| As at 31 December                                       | <b>3,522,755</b>            | 2,740,619                   |
| <b>Accumulated depreciation</b>                         |                             |                             |
| As at 01 January                                        | <b>2,466,858</b>            | 1,406,563                   |
| Charge for the year                                     | <b>1,154,450</b>            | 1,060,295                   |
| Disposal                                                | <b>(2,740,618)</b>          | -                           |
| As at 31 December                                       | <b>880,690</b>              | 2,466,858                   |
| <b>Carrying value as at 31 December</b>                 | <b>2,642,065</b>            | 273,761                     |
| <b>Movement of lease liabilities is as follows:</b>     |                             |                             |
| As at 01 January                                        | -                           | 1,092,627                   |
| Additions                                               | <b>3,522,755</b>            | -                           |
| Liabilities paid                                        | <b>(1,265,000)</b>          | (1,100,000)                 |
| Interest accrued                                        | <b>112,783</b>              | 7,373                       |
| As at 31 December                                       | <b>2,370,538</b>            | -                           |
| <b>Lease liabilities as at year end are as follows:</b> |                             |                             |
| Non-current portion of lease liability                  | <b>1,221,186</b>            | -                           |
| Current portion of lease liability                      | <b>1,149,352</b>            | -                           |
|                                                         | <b>2,370,538</b>            | -                           |

The total interest expense on lease liabilities recognized during the year ended 31 December 2024 is SAR 112,783 (2023: SAR 7,373).

**9. PREPAID EXPENSES AND OTHER ASSETS**

|                                      | <b>31 December 2024</b>         |                                     |                   |
|--------------------------------------|---------------------------------|-------------------------------------|-------------------|
|                                      | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>      |
|                                      | <b>SAR</b>                      |                                     |                   |
| VAT receivable                       | <b>27,010,349</b>               | -                                   | <b>27,010,349</b> |
| Receivable against Co. insurer pools | <b>2,348,550</b>                | -                                   | <b>2,348,550</b>  |
| Prepaid expenses                     | <b>980,286</b>                  | <b>209,800</b>                      | <b>1,190,086</b>  |
| Others                               | <b>2,680,901</b>                | -                                   | <b>2,680,901</b>  |
|                                      | <b>33,020,086</b>               | <b>209,800</b>                      | <b>33,229,886</b> |
|                                      | <b>31 December 2023</b>         |                                     |                   |
|                                      | <b>Insurance<br/>operations</b> | <b>Shareholders'<br/>operations</b> | <b>Total</b>      |
|                                      | <b>SAR</b>                      |                                     |                   |
| VAT receivable                       | 27,676,871                      | -                                   | 27,676,871        |
| Receivable against Co. insurer pools | 17,010,072                      | -                                   | 17,010,072        |
| Prepaid expenses                     | 927,821                         | 121,634                             | 1,049,455         |
| Others                               | 5,313,811                       | -                                   | 5,313,811         |
|                                      | <b>50,928,575</b>               | <b>121,634</b>                      | <b>51,050,209</b> |

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**10. PROPERTY AND EQUIPMENT, NET**

|                                  | 31 December 2024       |                                          |                                    |                |                  |
|----------------------------------|------------------------|------------------------------------------|------------------------------------|----------------|------------------|
|                                  | Leasehold improvements | Furniture, fixtures and office equipment | Computer equipment and intangibles | Motor vehicles | Total            |
|                                  | SAR                    |                                          |                                    |                |                  |
| <b>Cost:</b>                     |                        |                                          |                                    |                |                  |
| Beginning balance                | 1,000,606              | 2,308,522                                | 15,005,963                         | 44,001         | 18,359,092       |
| Additions                        | 279,298                | 136,884                                  | 3,595,321                          | -              | 4,011,503        |
| Disposals                        | -                      | (37,959)                                 | (131,827)                          | -              | (169,786)        |
| Closing balance                  | 1,279,904              | 2,407,447                                | 18,469,457                         | 44,001         | 22,200,809       |
| <b>Accumulated depreciation:</b> |                        |                                          |                                    |                |                  |
| Beginning balance                | 558,921                | 1,283,652                                | 12,304,661                         | 43,997         | 14,191,231       |
| Charge for the year              | 112,854                | 243,760                                  | 1,387,691                          | -              | 1,744,305        |
| Disposals                        | -                      | (30,672)                                 | (131,777)                          | -              | (162,449)        |
| Closing balance                  | 671,775                | 1,496,740                                | 13,560,575                         | 43,997         | 15,773,087       |
| <b>Net book value</b>            | <b>608,129</b>         | <b>910,707</b>                           | <b>4,908,882</b>                   | <b>4</b>       | <b>6,427,722</b> |
|                                  | 31 December 2023       |                                          |                                    |                |                  |
|                                  | Leasehold improvements | Furniture, fixtures and office equipment | Computer equipment and intangibles | Motor vehicles | Total            |
|                                  | SAR                    |                                          |                                    |                |                  |
| <b>Cost:</b>                     |                        |                                          |                                    |                |                  |
| Beginning balance                | 787,966                | 2,199,920                                | 13,145,649                         | 44,001         | 16,177,536       |
| Additions                        | 212,640                | 108,602                                  | 1,863,913                          | -              | 2,185,155        |
| Disposals                        | -                      | -                                        | (3,599)                            | -              | (3,599)          |
| Closing balance                  | 1,000,606              | 2,308,522                                | 15,005,963                         | 44,001         | 18,359,092       |
| <b>Accumulated depreciation:</b> |                        |                                          |                                    |                |                  |
| Beginning balance                | 483,425                | 1,040,857                                | 11,069,347                         | 43,997         | 12,637,626       |
| Charge for the year              | 75,496                 | 242,795                                  | 1,237,697                          | -              | 1,555,988        |
| Disposals                        | -                      | -                                        | (2,383)                            | -              | (2,383)          |
| Closing balance                  | 558,921                | 1,283,652                                | 12,304,661                         | 43,997         | 14,191,231       |
| <b>Net book value:</b>           | <b>441,685</b>         | <b>1,024,870</b>                         | <b>2,701,302</b>                   | <b>4</b>       | <b>4,167,861</b> |

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

|                       |     |      |   |   |
|-----------------------|-----|------|---|---|
| Useful lives in years | 6-7 | 6-10 | 4 | 4 |
|-----------------------|-----|------|---|---|

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

|                                            | 31 December 2024     |                          |                   |
|--------------------------------------------|----------------------|--------------------------|-------------------|
|                                            | Insurance operations | Shareholders' operations | Total             |
|                                            | SAR                  |                          |                   |
| Board of directors and committee's payable | -                    | 2,104,124                | 2,104,124         |
| Employees' related accruals and payables   | 289,087              | -                        | 289,087           |
| Payable to brokers and agents              | 2,418,568            | -                        | 2,418,568         |
| Others                                     | 22,984,417           | -                        | 22,984,417        |
|                                            | <b>25,692,072</b>    | <b>2,104,124</b>         | <b>27,796,196</b> |
|                                            | 31 December 2023     |                          |                   |
|                                            | Insurance operations | Shareholders' operations | Total             |
|                                            | SAR                  |                          |                   |
| Board of directors and committee's payable | -                    | 2,205,990                | 2,205,990         |
| Employees' related accruals and payables   | 335,091              | -                        | 335,091           |
| Payable to brokers and agents              | 1,411,953            | -                        | 1,411,953         |
| Others                                     | 19,537,993           | -                        | 19,537,993        |
|                                            | <b>21,285,037</b>    | <b>2,205,990</b>         | <b>23,491,027</b> |

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**12. END OF SERVICE BENEFITS**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Provision 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 amount recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

|                                                                               | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|-------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                               | <b>SAR</b>                  |                             |
| <b>Amount recognized in the statement of financial position</b>               |                             |                             |
| Present value of end of service benefits                                      | <b>5,060,010</b>            | 7,826,377                   |
| Net liability at end of the year                                              | <b>5,060,010</b>            | 7,826,377                   |
| <b>Benefit expense (recognized in statement of income)</b>                    |                             |                             |
| Current service costs                                                         | <b>796,107</b>              | 1,010,325                   |
| Commission rate costs                                                         | <b>324,108</b>              | 178,456                     |
| Benefit expense (recognized in statement of income)                           | <b>1,120,215</b>            | 1,188,781                   |
| <b>Reconciliation of present value of end of service benefits</b>             |                             |                             |
| End of service benefits at beginning of the year                              | <b>7,826,377</b>            | 8,227,890                   |
| Current service costs                                                         | <b>796,107</b>              | 1,010,325                   |
| Commission rate costs                                                         | <b>324,108</b>              | 178,456                     |
| Actuarial gain from experience adjustments                                    | <b>(2,480,320)</b>          | (487,619)                   |
| Benefits paid during the year                                                 | <b>(1,406,262)</b>          | (1,102,675)                 |
| Present value of end of service benefits at end of the year                   | <b>5,060,010</b>            | 7,826,377                   |
| <b>Reconciliation of net liability in the statement of financial position</b> |                             |                             |
| Opening balance                                                               | <b>7,826,377</b>            | 8,227,890                   |
| Charge to statement of income                                                 | <b>1,120,215</b>            | 1,188,781                   |
| Charge to statement of other comprehensive income                             | <b>(2,480,320)</b>          | (487,619)                   |
| Payment of benefits during the year                                           | <b>(1,406,262)</b>          | (1,102,675)                 |
| Closing balance                                                               | <b>5,060,010</b>            | 7,826,377                   |
| <b>Principal actuarial assumption</b>                                         |                             |                             |
| Valuation discount rate                                                       | <b>5.50%</b>                | 4.75%                       |
| Expected rate of increase in salary level across different age bands          | <b>2.00%</b>                | 4.80%                       |

12.1 The impact of changes in sensitivities on present value of end of service benefits liability is as follows:

|                                                                      | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|----------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                      | <b>SAR</b>                  |                             |
| Central Assumptions                                                  | <b>5,060,010</b>            | 7,826,377                   |
| Valuation discount rate                                              |                             |                             |
| -Increase by 0.50%                                                   | <b>4,897,580</b>            | 7,552,010                   |
| -Decrease by 0.50%                                                   | <b>5,232,926</b>            | 8,128,990                   |
| Expected rate of increase in salary level across different age bands |                             |                             |
| -Increase by 0.50%                                                   | <b>5,238,154</b>            | 8,138,997                   |
| -Decrease by 0.50%                                                   | <b>4,891,379</b>            | 7,521,538                   |

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**13. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties represent the main shareholders, board members, and senior management employees of the Company, the companies in which they are their main owners, and any other companies that are subject to their control or are jointly controlled or have effective control over them. Pricing policies and terms of these transactions are approved by the Company's management and the Board of Directors. Details of major related party transactions and their balances are as follows:

| Related party                              | Nature of transactions                          | 31 December<br>2024<br>SAR | 31 December<br>2023<br>SAR |
|--------------------------------------------|-------------------------------------------------|----------------------------|----------------------------|
| Major Shareholders                         | Insurance premium written                       | 15,308,318                 | 12,432,555                 |
|                                            | Claims paid                                     | (2,460,407)                | (2,152,876)                |
|                                            | Remuneration fees, allowances and other expense | (2,282,506)                | (2,166,000)                |
| Board of Directors and committees' members | Insurance premium written                       | 22,408,467                 | 21,056,764                 |
|                                            | Claims paid                                     | (13,718,641)               | (13,185,129)               |
|                                            | Insurance brokerage contracts                   | (3,853,548)                | (3,747,419)                |

The above transactions with the related parties resulted in the following balances:

| Related party                              | Nature of balances                                      | 31 December<br>2024<br>SAR | 31 December<br>2023<br>SAR |
|--------------------------------------------|---------------------------------------------------------|----------------------------|----------------------------|
| Major Shareholders                         | Insurance premium written receivable                    | 11,698,505                 | 7,320,151                  |
|                                            | Remuneration fees, allowances and other expense payable | (2,104,124)                | (2,205,990)                |
| Board of Directors and committees' members | Insurance premium written receivable                    | 4,329,652                  | 4,674,929                  |
|                                            | Insurance brokerage contracts payable                   | (3,382,216)                | (2,506,858)                |

**Compensation of key management personnel:**

The compensation of the key management personnel during the year was as follows:

|                        |                  |                  |
|------------------------|------------------|------------------|
| Short-term benefits    | 3,841,546        | 3,971,954        |
| End of service benefit | 186,932          | 61,807           |
|                        | <u>4,028,478</u> | <u>4,033,761</u> |

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**14. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                                                  | 31 December 2024     |                          |            | 31 December 2023     |                          |            |
|------------------------------------------------------------------|----------------------|--------------------------|------------|----------------------|--------------------------|------------|
|                                                                  | Insurance operations | Shareholders' operations | Total      | Insurance operations | Shareholders' operations | Total      |
|                                                                  | SAR                  |                          |            | SAR                  |                          |            |
| Employees' salaries and all staff related costs                  | 37,020,467           | -                        | 37,020,467 | 40,569,115           | -                        | 40,569,115 |
| Office rent                                                      | 1,136,813            | -                        | 1,136,813  | 1,536,813            | -                        | 1,536,813  |
| Legal and professional fees                                      | 3,164,316            | -                        | 3,164,316  | 4,993,603            | -                        | 4,993,603  |
| Utilities and telecommunications                                 | 272,304              | -                        | 272,304    | 1,394,228            | -                        | 1,394,228  |
| Information technology expenses                                  | 4,030,698            | -                        | 4,030,698  | 3,003,070            | -                        | 3,003,070  |
| Depreciation of property, and equipment                          | 1,744,305            | -                        | 1,744,305  | 1,555,988            | -                        | 1,555,988  |
| Depreciation of right-of-use assets                              | 1,154,450            | -                        | 1,154,450  | 1,060,295            | -                        | 1,060,295  |
| Stationery and office supplies                                   | 609,087              | -                        | 609,087    | 698,540              | -                        | 698,540    |
| Withholding taxes                                                | 42,292               | -                        | 42,292     | 305,556              | -                        | 305,556    |
| Board of Directors and committees remuneration fees and expenses | -                    | 2,282,506                | 2,282,506  | -                    | 2,166,000                | 2,166,000  |
| Listing fees                                                     | -                    | 361,268                  | 361,268    | -                    | 357,972                  | 357,972    |
| Others                                                           | 9,210,311            | 805,810                  | 10,016,121 | 12,993,815           | 434,917                  | 13,428,732 |
|                                                                  | 58,385,043           | 3,449,584                | 61,834,627 | 68,111,023           | 2,958,889                | 71,069,912 |

**14.1 Allocation of general and administrative expenses**

|                                                        | 31 December 2024 | 31 December 2023 |
|--------------------------------------------------------|------------------|------------------|
|                                                        | SAR              | SAR              |
| Expenses allocated to liability for remaining coverage | 17,798,306       | 20,023,984       |
| Expenses allocated to liability for incurred claims    | 24,064,534       | 31,234,905       |
| Unallocated expenses                                   | 19,971,787       | 19,811,023       |
| Total                                                  | 61,834,627       | 71,069,912       |

**14.2 Remuneration for the statutory audit, quarterly reviews, Zakat and other services of the Company's Financial Statements.**

|                                                                                                                                               |           |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Annual audit and quarterly reviews for first, second and third quarters – El-Sayed-El-Ayouny & Co - Moore - Chartered Accountants             | 435,000   | 435,000   |
| Annual audit and quarterly reviews for first, second and third quarters – Crowe Solutions for Professional Consulting - Chartered Accountants | 485,000   | 485,000   |
| Zakat and tax services – PKF Al-Bassam & Co                                                                                                   | 145,000   | 80,000    |
| Fees for agreed upon procedures related to related parties transactions                                                                       | 10,000    | 10,000    |
| Fees for agreed upon procedures related to surplus distribution                                                                               | 20,000    | 20,000    |
| Total                                                                                                                                         | 1,095,000 | 1,030,000 |

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**15. PROVISION FOR ZAKAT**

***Zakat charge for the period***

The zakat provision consists of the zakat charged during the year amount of SAR 9,806,035 (2023: SAR 5,496,703). The zakat provision is calculated on the 100% capital.

|                                 | 31 December<br>2024 | 31 December<br>2023 |
|---------------------------------|---------------------|---------------------|
|                                 | <b>SAR</b>          |                     |
| Adjusted Income                 | 9,017,868           | 27,074,480          |
| Add to it:                      |                     |                     |
| Equity                          | 447,316,775         | 379,733,063         |
| Provisions                      | 15,964,248          | 7,125,215           |
| Fair reverse in Najm investment | 17,670,162          | -                   |
| Lease Liability                 | 4,251,609           | -                   |
| Total additions                 | 494,220,662         | 413,932,758         |
| Deduct from it:                 |                     |                     |
| property and equipment, net     | 6,427,722           | 4,167,861           |
| Investments                     | 95,048,677          | 58,548,171          |
| Statutory deposits              | 31,879,683          | 29,998,695          |
| Right of use assets             | 2,642,065           | 273,761             |
| DAC                             | -                   | 18,402,201          |
| Total deductions                | 135,998,147         | 111,390,689         |
| Total Zakat base                | 358,222,515         | 302,542,069         |
| <b>Zakat Liability Movement</b> |                     |                     |
| Opening Liability for Zakat     | 20,807,684          | 26,546,977          |
| Expense for the year            | 9,806,035           | 5,496,703           |
| Paid during the year            | (20,077,179)        | (11,235,996)        |
| closing liability for zakat     | 10,536,540          | 20,807,684          |

***Status of assessment***

The Company has filed zakat returns with the General Authority of Zakat and Tax ("ZATCA") for the years from 2010 to 2023.

- After reviewing the zakat returns by ZATCA for the years 2010 to 2012, the Authority issued a zakat assessment, which the Company objected to. Final decisions were issued for the objections, resulting in the Company's favor amounting to SAR 340,868 and SAR 325,000, respectively. Amount has been refunded is 665,868 SAR.
- After reviewing the zakat returns by ZATCA for the years 2015 to 2018, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 13,288,746 following a decision by the Tax Disputes and Violations Resolution Committee. The Company appealed to the Appeals Committee, and a final decision was issued. The Company paid the amount due as a final settlement of the liability.
- After reviewing the withholding tax returns by ZATCA for the years 2014 to 2018, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessment amount and waived the fines in accordance with the Authority's initiatives. The Tax Disputes and Violations Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the final decision was issued, constituting a final settlement of the liability.
- After reviewing the zakat returns by ZATCA for the years 2019 to 2020, the Authority issued a zakat assessment, which the Company objected to. The liability decreased to SAR 4,146,940 following a decision by the Tax Violations and Disputes Resolution Committee. The Company appealed to the Appeals Committee, and the final decision resulted in the dismissal of the case. The Company is in the process of settling the dues, and the Company has paid the dues as a final settlement of the liability.
- After reviewing the value-added tax returns by ZATCA for the years 2018 to 2019, the Authority issued a tax assessment, which the Company objected to. The Company paid the assessed amount and waived the fines in accordance with the Authority's initiatives. The Tax Violations and Disputes Resolution Committee dismissed the case. The Company filed an appeal with the Appeals Committee, and the Company paid the due amount as final settlement of the liability.
- For the years 2021 and 2022, the Company requested to resubmit its zakat returns based on the new zakat regulations. The ZATCA accepted the request and issued assessments of SAR 376,260 and SAR 897,995, respectively. The Company approved the assessment, and payment and final settlement are in progress.
- For the year 2023, the ZATCA issued a zakat assessment of SAR 2,029,802, and the Company paid the due amount as final settlement of the liability.
- For the years 2021 and 2022, the ZATCA issued value-added assessments (after reduction based on the Company's objection) of SAR 312,478 and SAR 579,465, respectively, and the Company paid the due amount as final settlement of the liability.
- Regarding the year 2023, both VAT and withholding tax are currently under review by ZATCA, and there is no liability to date.

**16. COMMITMENTS AND CONTINGENCIES**

***Litigations and lawsuits***

The Company operates in the insurance business and is vulnerable to lawsuits during its normal business cycle.

While it is impractical to predict or know the final outcome of all lawsuits, management believes that these lawsuits (including the cases) will not have any material impact on the Company's results or its financial position.

The Company does not have any material lawsuit on the date of preparing the financial statements.



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**17. OPERATING SEGMENTS**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2022, with the exception of the impact of adopting IFRS 17 as previously discussed.

Segment assets do not include property and equipment, prepaid expenses and other assets, investments, time deposits, cash and cash equivalents, amounts due from a related party, statutory deposit, and investment returns from the statutory deposit, and thus they are included in the unallocated assets.

Segments liabilities do not include end-of-service benefits provision, payables and accrued expenses and other liabilities, other provisions, surplus payable distributions, actuarial loss for specific benefit plans, accrued zakat, and due statutory deposit investment returns and thus they are included in the unallocated liabilities.

General and administrative expenses and commission income were allocated as per the requirements of IFRS 17.

**Statement of financial position**

|                                  | 31 December 2024   |                   |                     |                    |
|----------------------------------|--------------------|-------------------|---------------------|--------------------|
|                                  | Motor              | Medical           | Property & casualty | Total              |
|                                  | SAR                |                   |                     |                    |
| <b>Assets:</b>                   |                    |                   |                     |                    |
| Insurance contract assets        | 6,657,782          | 8,083,305         | 8,250,160           | 22,991,247         |
| Reinsurance contract assets      | 5,716,263          | 1,059,350         | 46,123,541          | 52,899,154         |
| Unallocated assets               | -                  | -                 | -                   | 693,196,927        |
| <b>Total</b>                     | <b>12,374,045</b>  | <b>9,142,655</b>  | <b>54,373,701</b>   | <b>769,087,328</b> |
| <b>Liabilities:</b>              |                    |                   |                     |                    |
| Insurance contract liabilities   | 149,283,691        | 26,514,234        | 58,446,902          | 234,244,827        |
| Reinsurance contract liabilities | 1,605,885          | 2,813,435         | 8,406,325           | 12,825,645         |
| Unallocated liabilities          | -                  | -                 | -                   | 47,644,354         |
| <b>Total</b>                     | <b>150,889,576</b> | <b>29,327,669</b> | <b>66,853,227</b>   | <b>294,714,826</b> |
|                                  | 31 December 2023   |                   |                     |                    |
|                                  | Motor              | Medical           | Property & casualty | Total              |
|                                  | SAR                |                   |                     |                    |
| <b>Assets:</b>                   |                    |                   |                     |                    |
| Insurance contract assets        | 18,818,678         | 12,377,231        | 32,249,710          | 63,445,619         |
| Reinsurance contract assets      | 4,057,672          | 3,406,992         | 31,375,251          | 38,839,915         |
| Unallocated assets               | -                  | -                 | -                   | 745,352,636        |
| <b>Total</b>                     | <b>22,876,350</b>  | <b>15,784,223</b> | <b>63,624,961</b>   | <b>847,638,170</b> |
| <b>Liabilities:</b>              |                    |                   |                     |                    |
| Insurance contract liabilities   | 221,368,663        | 44,647,153        | 70,564,633          | 336,580,449        |
| Reinsurance contract liabilities | 2,260,234          | 379,077           | 10,363,272          | 13,002,583         |
| Unallocated liabilities          | -                  | -                 | -                   | 53,218,683         |
| <b>Total</b>                     | <b>223,628,897</b> | <b>45,026,230</b> | <b>80,927,905</b>   | <b>402,801,715</b> |

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**17. OPERATING SEGMENTS (CONTINUED)**  
**Statement of Income**

|                                                                  | 31 December 2024   |                   |                     |                    |
|------------------------------------------------------------------|--------------------|-------------------|---------------------|--------------------|
|                                                                  | Motor              | Medical           | Property & casualty | Total              |
|                                                                  | <b>SAR</b>         |                   |                     |                    |
| <b>REVENUES</b>                                                  |                    |                   |                     |                    |
| Insurance revenue                                                | 237,406,271        | 78,240,980        | 57,082,941          | 372,730,192        |
| Insurance service expenses                                       | (238,526,412)      | (65,863,696)      | (39,317,580)        | (343,707,688)      |
| Expenses from reinsurance contracts held                         | (1,448,674)        | (813,130)         | (12,710,647)        | (14,972,451)       |
| <b>Insurance service result</b>                                  | <b>(2,568,815)</b> | <b>11,564,154</b> | <b>5,054,714</b>    | <b>14,050,053</b>  |
| Fair value change on FVTPL investments                           | -                  | -                 | -                   | (3,490,755)        |
| Net gains from sale of investments                               | -                  | -                 | -                   | (2,611,606)        |
| Interest revenue from financial assets measured at amortize cost | -                  | -                 | -                   | 18,862,029         |
| Interest revenue from financial assets measured at FVTPL         | -                  | -                 | -                   | 2,636,322          |
| Dividend from financial assets measured at FVTPL                 | -                  | -                 | -                   | 10,495,191         |
| Net (impairment) reversal on financial assets                    | -                  | -                 | -                   | (494,420)          |
| Other investment income / (loss)                                 | -                  | -                 | -                   | (629,631)          |
| <b>Net investment income</b>                                     | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>24,767,130</b>  |
| Finance income / (expense) from insurance contracts issued       | (807,687)          | (231,230)         | 512,567             | (526,350)          |
| Finance (expenses) / income from reinsurance contracts held      | (104,249)          | 10,731            | (945,981)           | (1,039,499)        |
| <b>Insurance finance results</b>                                 | <b>(911,936)</b>   | <b>(220,499)</b>  | <b>(433,414)</b>    | <b>(1,565,849)</b> |
| <b>Net insurance and investment results</b>                      | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>37,251,334</b>  |
| Other operating expenses                                         | -                  | -                 | -                   | (19,971,787)       |
| Other income                                                     | -                  | -                 | -                   | 1,912,053          |
| <b>Gross income for the year</b>                                 | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>19,191,600</b>  |
| Provision for Zakat                                              | -                  | -                 | -                   | (9,806,035)        |
| <b>Income for the year after Zakat</b>                           | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>9,385,565</b>   |

|                                                                  | 31 December 2023   |                   |                     |                    |
|------------------------------------------------------------------|--------------------|-------------------|---------------------|--------------------|
|                                                                  | Motor              | Medical           | Property & casualty | Total              |
|                                                                  | <b>SAR</b>         |                   |                     |                    |
| <b>REVENUES</b>                                                  |                    |                   |                     |                    |
| Insurance revenue                                                | 252,805,086        | 80,380,046        | 40,259,147          | 373,444,279        |
| Insurance service expenses                                       | (257,036,679)      | (57,525,037)      | (22,626,067)        | (337,187,783)      |
| Expenses from reinsurance contracts held                         | (4,798,855)        | (2,664,948)       | (23,806,971)        | (31,270,774)       |
| <b>Insurance service result</b>                                  | <b>(9,030,448)</b> | <b>20,190,061</b> | <b>(6,173,891)</b>  | <b>4,985,722</b>   |
| Fair value change on FVTPL investments                           | -                  | -                 | -                   | 1,668,040          |
| Net gains from sale of investments                               | -                  | -                 | -                   | 6,884              |
| Interest Revenue from financial assets measured at amortize cost | -                  | -                 | -                   | 18,642,741         |
| Interest Revenue from financial assets measured at FVTPL         | -                  | -                 | -                   | 3,136,253          |
| Dividend from financial assets measured at FVTPL                 | -                  | -                 | -                   | 5,047,391          |
| Net (impairment) reversal on financial assets                    | -                  | -                 | -                   | 114,415            |
| Other investment income / (loss)                                 | -                  | -                 | -                   | 10,021             |
| <b>Net investment income</b>                                     | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>28,625,745</b>  |
| Finance income / (expense) from insurance contracts issued       | (2,026,736)        | (286,054)         | 838,408             | (1,474,382)        |
| Finance (expenses) / income from reinsurance contracts held      | 49,377             | 32,342.00         | (230,349)           | (148,630)          |
| <b>Insurance finance results</b>                                 | <b>(1,977,359)</b> | <b>(253,712)</b>  | <b>608,059</b>      | <b>(1,623,012)</b> |
| <b>Net insurance and investment results</b>                      | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>31,988,455</b>  |
| Other operating expenses                                         | -                  | -                 | -                   | (19,811,023)       |
| Other income                                                     | -                  | -                 | -                   | 13,402,711         |
| <b>Gross income for the year</b>                                 | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>25,580,143</b>  |
| Provision for Zakat                                              | -                  | -                 | -                   | (5,496,703)        |
| <b>Income for the year after Zakat</b>                           | <b>-</b>           | <b>-</b>          | <b>-</b>            | <b>20,083,440</b>  |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES  
PAA**

| PAA                                                          | 31 December 2024                 |                |                                   |                                        |               |
|--------------------------------------------------------------|----------------------------------|----------------|-----------------------------------|----------------------------------------|---------------|
|                                                              | Liability for remaining coverage |                | Liability for incurred claims     |                                        | Total         |
|                                                              | Excluding loss component         | Loss component | Estimates of present value of FCF | Risk adjustment for non-financial risk |               |
|                                                              | SAR                              |                |                                   |                                        |               |
| Insurance contracts - 1 January 2024                         | 99,313,258                       | 6,725,275      | 156,842,932                       | 6,002,637                              | 268,884,102   |
| <u>Changes in the statement of income and OCI:</u>           |                                  |                |                                   |                                        |               |
| Insurance revenue                                            | 372,061,829                      | -              | -                                 | -                                      | 372,061,829   |
| Insurance service expenses                                   |                                  |                |                                   |                                        |               |
| Incurred claims and other directly attributable expenses     | -                                | -              | 287,939,063                       | (658,278)                              | 287,280,785   |
| Insurance acquisition cashflows amortization                 | 66,971,597                       | -              | -                                 | -                                      | 66,971,597    |
| Losses and reversals of losses on onerous contracts          | -                                | 7,122,631      | -                                 | -                                      | 7,122,631     |
| Changes that relate to past service - adjustments to the LIC | -                                | -              | (17,922,807)                      | -                                      | (17,922,807)  |
| Insurance service expenses                                   | 66,971,597                       | 7,122,631      | 270,016,256                       | (658,278)                              | 343,452,206   |
| Insurance service result                                     | 305,090,232                      | (7,122,631)    | (270,016,256)                     | 658,278                                | 28,609,623    |
| Finance expense from insurance contracts                     | -                                | -              | (686,628)                         | 242,006                                | (444,622)     |
| Total changes in the statement of income and OCI             | 305,090,232                      | (7,122,631)    | (270,702,884)                     | 900,284                                | 28,165,001    |
| <u>Cashflows</u>                                             |                                  |                |                                   |                                        |               |
| Premiums received                                            | 356,232,116                      | -              | -                                 | -                                      | 356,232,116   |
| Claims and other directly attributable expenses paid         | -                                | -              | (328,396,890)                     | -                                      | (328,396,890) |
| Insurance acquisition cashflows paid                         | (65,120,372)                     | -              | -                                 | -                                      | (65,120,372)  |
| Total cash inflows / (outflows)                              | 291,111,744                      | -              | (328,396,890)                     | -                                      | (37,285,146)  |
| Net closing balance                                          | 85,334,770                       | 13,847,906     | 99,148,926                        | 5,102,353                              | 203,433,955   |
| Insurance contracts liabilities                              | 103,153,678                      | 13,847,906     | 104,321,265                       | 5,102,353                              | 226,425,202   |
| Insurance contracts assets                                   | (17,818,908)                     | -              | (5,172,339)                       | -                                      | (22,991,247)  |
|                                                              | 85,334,770                       | 13,847,906     | 99,148,926                        | 5,102,353                              | 203,433,955   |

Note: The insurance service expense includes 1.20 million (2023: 1.53 million) policyholder surplus distributable.

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**PAA**

| 31 December 2024             |                         |                                    |                                               |              |
|------------------------------|-------------------------|------------------------------------|-----------------------------------------------|--------------|
| Asset for remaining coverage |                         | Asset for incurred claims          |                                               | Total        |
| Excluding loss component     | Loss recovery component | PVCF, Contracts measured under PAA | Risk adjustment, Contracts measured under PAA |              |
| SAR                          |                         |                                    |                                               |              |
| (10,363,279)                 | -                       | 32,786,277                         | 596,451                                       | 23,019,449   |
| (37,105,552)                 | -                       | -                                  | -                                             | (37,105,552) |
| -                            | -                       | 21,675,933                         | 470,621                                       | 22,146,554   |
| -                            | -                       | -                                  | -                                             | -            |
| -                            | -                       | -                                  | -                                             | -            |
| -                            | -                       | -                                  | -                                             | -            |
| -                            | -                       | 21,675,933                         | 470,621                                       | 22,146,554   |
| (37,105,552)                 | -                       | 21,675,933                         | 470,621                                       | (14,958,998) |
| -                            | -                       | (1,051,261)                        | (64,818)                                      | (1,116,079)  |
| (37,105,552)                 | -                       | 20,624,672                         | 405,803                                       | (16,075,077) |
| (45,476,055)                 | -                       | 10,626,672                         | -                                             | (34,849,383) |
| 5,747,099                    | -                       | 1,033,614                          | -                                             | 6,780,713    |
| (39,728,956)                 | -                       | 11,660,286                         | -                                             | (28,068,670) |
| (7,739,875)                  | -                       | 41,750,663                         | 1,002,254                                     | 35,013,042   |
| 1,528,616                    | -                       | 45,307,817                         | 1,002,254                                     | 47,838,687   |
| (9,268,491)                  | -                       | (3,557,154)                        | -                                             | (12,825,645) |
| (7,739,875)                  | -                       | 41,750,663                         | 1,002,254                                     | 35,013,042   |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (ID1)**

|                                                          | 31 December 2024                 |                               |                                        |           |
|----------------------------------------------------------|----------------------------------|-------------------------------|----------------------------------------|-----------|
|                                                          | Liability for remaining coverage | Liability for incurred claims | Total                                  |           |
| Excluding loss component                                 | Loss component                   | LIC excluding risk adjustment | Risk adjustment for non-financial risk |           |
| SAR                                                      |                                  |                               |                                        |           |
| <b>Insurance contracts - 1 January 2024</b>              |                                  |                               |                                        |           |
| <b><u>Insurance revenue</u></b>                          |                                  |                               |                                        |           |
| Expected incurred claims and other service expenses      |                                  |                               |                                        |           |
| CSM recognized for service period                        | (617,669)                        | -                             | -                                      | (617,669) |
|                                                          | (50,694)                         | -                             | -                                      | (50,694)  |
| <b>Total Insurance revenue</b>                           | (668,363)                        | -                             | -                                      | (668,363) |
| <b>Insurance service expenses</b>                        |                                  |                               |                                        |           |
| Incurred claims and other directly attributable expenses | -                                | 255,495                       | -                                      | 255,495   |
| Experience adjustments                                   | -                                | -                             | -                                      | -         |
|                                                          | -                                | 255,495                       | -                                      | 255,495   |
| <b>Insurance service result</b>                          | (668,363)                        | -                             | 255,495                                | (412,868) |
| Finance Income from insurance contracts                  | 81,728                           | -                             | -                                      | 81,728    |
| <b>Total changes in the statement of income and OCI</b>  | (586,635)                        | -                             | 255,495                                | (331,140) |
| <b><u>Cashflows</u></b>                                  |                                  |                               |                                        |           |
| Premiums received                                        | 3,980,685                        | -                             | -                                      | 3,980,685 |
| Claims and other directly attributable expenses paid     | -                                | -                             | -                                      | -         |
| Insurance acquisition cashflows paid                     | -                                | -                             | (80,646)                               | (80,646)  |
| <b>Total cash inflows / (outflows)</b>                   | 3,980,685                        | -                             | (80,646)                               | 3,900,039 |
| <b>Net closing balance</b>                               | 7,520,466                        | -                             | 299,159                                | 7,819,625 |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (ID1)**

| 31 December 2024             |                         |                               |                 |             |
|------------------------------|-------------------------|-------------------------------|-----------------|-------------|
| Asset for remaining coverage |                         | Asset for incurred claims     |                 | Total       |
| Excluding loss component     | Loss recovery component | AIC excluding risk adjustment | Risk adjustment |             |
| SAR                          |                         |                               |                 |             |
| (2,764,630)                  | -                       | (53,253)                      | -               | (2,817,883) |
| -                            |                         |                               |                 |             |
| (32,173)                     | -                       | -                             | -               | (32,173)    |
| (458)                        | -                       | -                             | -               | (458)       |
| (67,947)                     | -                       | -                             | -               | (67,947)    |
| -                            | -                       | 95,240                        | -               | 95,240      |
| (8,114)                      | -                       | -                             | -               | (8,114)     |
| (108,692)                    | -                       | 95,240                        | -               | (13,452)    |
| (108,692)                    | -                       | 95,240                        | -               | (13,452)    |
| 76,580                       | -                       | -                             | -               | 76,580      |
| (32,112)                     | -                       | 95,240                        | -               | 63,128      |
|                              |                         |                               |                 |             |
| (2,749,416)                  | -                       | 3,626                         | -               | (2,745,790) |
| 440,072                      | -                       | -                             | -               | 440,072     |
| (2,309,344)                  | -                       | 3,626                         | -               | (2,305,718) |
| (5,106,086)                  | -                       | 45,613                        | -               | (5,060,473) |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (IDR)**

|                                                                                                    | 31 December 2024                         |                                              |           |             |
|----------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|-----------|-------------|
|                                                                                                    | Present value<br>of future cash<br>flows | Risk adjustment<br>for non-financial<br>risk | CSM       | Total       |
|                                                                                                    | SAR                                      |                                              |           |             |
| <b>Insurance contracts - 1 January 2024</b>                                                        | (341,886)                                | 166,505                                      | 4,426,107 | 4,250,726   |
| <b>Changes in the statement of profit or loss and OCI</b>                                          |                                          |                                              |           |             |
| <b>Changes that relate to current service</b>                                                      |                                          |                                              |           |             |
| CSM recognized for the services provided                                                           | 4,382,448                                | -                                            | -         | 4,382,448   |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | -                                        | -                                            | -         | -           |
| Experience adjustments - relating to insurance service expenses                                    | (8,086,841)                              | -                                            | -         | (8,086,841) |
| Other changes on current services                                                                  | 25,597                                   | -                                            | -         | 25,597      |
| Incurred expenses                                                                                  | (3,678,796)                              | -                                            | -         | (3,678,796) |
| <b>Changes that relate to future service</b>                                                       |                                          |                                              |           |             |
| Changes in estimates that adjust the CSM                                                           | -                                        | -                                            | -         | -           |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | -                                        | -                                            | -         | -           |
| Contracts initially recognized in the period                                                       | -                                        | 205,018                                      | 3,119,904 | 3,119,904   |
| Experience adjustment - arising from premiums received in the period that relate to future service | -                                        | 205,018                                      | -         | 205,018     |
|                                                                                                    | -                                        | 205,018                                      | 3,119,904 | 3,324,922   |
| <b>Changes that relate to past service</b>                                                         |                                          |                                              |           |             |
| Changes that relate to past service - changes in the PCF relating to the LIC                       | -                                        | -                                            | -         | -           |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                        | -                                            | -         | -           |
|                                                                                                    | -                                        | -                                            | -         | -           |
| <b>Insurance service result</b>                                                                    |                                          |                                              |           |             |
| Net finance income/(expense) from insurance contracts                                              | (3,678,796)                              | 205,018                                      | 3,119,904 | (353,874)   |
| <b>Total changes in the statement of profit or loss and OCI</b>                                    | (378,905)                                | 17,588                                       | 512,904   | 151,587     |
| <b>Cash flows</b>                                                                                  | (4,057,701)                              | 222,606                                      | 3,632,808 | (202,287)   |
| Premiums received                                                                                  | 3,851,831                                | -                                            | -         | 3,851,831   |
| Incurred claims paid                                                                               | (3,322)                                  | -                                            | -         | (3,322)     |
| Insurance acquisition cash flows                                                                   | (77,323)                                 | -                                            | -         | (77,323)    |
|                                                                                                    | 3,771,186                                | -                                            | -         | 3,771,186   |
| <b>Net closing balance</b>                                                                         | (62,840)                                 | 389,111                                      | 8,058,915 | 7,819,625   |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (ID)**

|                                                                                                    | 31 December 2024                         |                                              |             |             |
|----------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|-------------|-------------|
|                                                                                                    | Present value<br>of future cash<br>flows | Risk adjustment<br>for non-financial<br>risk | CSM         | Total       |
|                                                                                                    | SAR                                      |                                              |             |             |
| <b>Reinsurance contracts - 1 January 2024</b>                                                      | 575,828                                  | 151,446                                      | (3,545,157) | (2,817,883) |
| <b>Changes in the statement of profit or loss and OCI</b>                                          |                                          |                                              |             |             |
| <b>Changes that relate to current service</b>                                                      |                                          |                                              |             |             |
| CSM recognized for the services provided                                                           | -                                        | -                                            | -           | -           |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | (5,760,041)                              | -                                            | -           | (5,760,041) |
| Experience adjustments - relating to reinsurance service expenses                                  | 6,969,200                                | -                                            | -           | 6,969,200   |
| Other changes on current services                                                                  | 1,209,159                                | -                                            | -           | 1,209,159   |
| <b>Changes that relate to future service</b>                                                       |                                          |                                              |             |             |
| Changes in estimates that adjust the CSM                                                           | -                                        | -                                            | -           | -           |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | -                                        | (269,565)                                    | (964,705)   | (1,234,270) |
| Contracts initially recognized in the period                                                       | -                                        | -                                            | -           | -           |
| Experience adjustment - arising from premiums received in the period that relate to future service | -                                        | (269,565)                                    | (964,705)   | (1,234,270) |
| <b>Changes that relate to past service</b>                                                         |                                          |                                              |             |             |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                        | -                                            | -           | -           |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                        | -                                            | -           | -           |
| <b>Reinsurance service result</b>                                                                  |                                          |                                              |             |             |
| Net finance income/(expense) from reinsurance contracts                                            | 1,209,159                                | (269,565)                                    | (964,705)   | (25,111)    |
| <b>Total changes in the statement of profit or loss and OCI</b>                                    | 169,175                                  | (233,362)                                    | 20,457      | (43,730)    |
| <b>Cash flows</b>                                                                                  | 1,378,334                                | (502,927)                                    | (944,248)   | (68,841)    |
| Ceded premium                                                                                      | (2,616,874)                              | -                                            | -           | (2,616,874) |
| Commission and management fee                                                                      | 443,125                                  | -                                            | -           | 443,125     |
|                                                                                                    | (2,173,749)                              | -                                            | -           | (2,173,749) |
| <b>Net closing balance</b>                                                                         | (219,587)                                | (351,481)                                    | (4,489,405) | (5,060,473) |



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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
PAA 31 December 2023

|                                                              | Liability for remaining coverage<br>Excluding loss component | Loss component | Estimates of present value of FCF | Risk adjustment for non-financial risk | Total         |
|--------------------------------------------------------------|--------------------------------------------------------------|----------------|-----------------------------------|----------------------------------------|---------------|
|                                                              | SAR                                                          |                |                                   |                                        |               |
| Insurance contracts - 1 January 2023                         | 73,415,233                                                   | 43,628,954     | 155,725,384                       | 4,751,269                              | 277,520,840   |
| <i>Changes in the statement of income and OCI:</i>           |                                                              |                |                                   |                                        |               |
| Insurance revenue                                            | 373,328,733                                                  | -              | -                                 | -                                      | 373,328,733   |
| Insurance service expenses                                   | -                                                            | -              | 304,150,865                       | 1,251,368                              | 305,402,233   |
| Incurred claims and other directly attributable expenses     | 67,000,713                                                   | -              | -                                 | -                                      | 67,000,713    |
| Insurance acquisition cashflows amortization                 | -                                                            | (36,903,679)   | -                                 | -                                      | (36,903,679)  |
| Losses and reversals of losses on onerous contracts          | -                                                            | -              | 1,531,245                         | -                                      | 1,531,245     |
| Changes that relate to past service - adjustments to the LIC | 67,000,713                                                   | (36,903,679)   | 305,682,110                       | 1,251,368                              | 337,030,512   |
| Insurance service expenses                                   | 306,328,020                                                  | 36,903,679     | (305,682,110)                     | (1,251,368)                            | 36,298,221    |
| Insurance service result                                     | -                                                            | -              | (1,469,213)                       | -                                      | (1,469,213)   |
| Finance expense from insurance contracts                     | 306,328,020                                                  | 36,903,679     | (307,151,323)                     | (1,251,368)                            | 34,829,008    |
| Total changes in the statement of income and OCI             |                                                              |                |                                   |                                        |               |
| <i>Cashflows</i>                                             |                                                              |                |                                   |                                        |               |
| Premiums received                                            | 399,948,370                                                  | -              | -                                 | -                                      | 399,948,370   |
| Claims and other directly attributable expenses paid         | -                                                            | -              | (306,033,775)                     | -                                      | (306,033,775) |
| Insurance acquisition cashflows paid                         | (67,722,325)                                                 | -              | -                                 | -                                      | (67,722,325)  |
| Total cash inflows / (outflows)                              | 332,226,045                                                  | -              | (306,033,775)                     | -                                      | 26,192,270    |
| Net closing balance                                          | 99,313,258                                                   | 6,725,275      | 156,842,932                       | 6,002,637                              | 268,884,102   |
| Insurance contracts liabilities                              | 161,348,051                                                  | 6,725,275      | 158,253,759                       | 6,002,637                              | 332,329,722   |
| Insurance contracts assets                                   | (62,034,793)                                                 | -              | (1,410,827)                       | -                                      | (63,445,620)  |
|                                                              | 99,313,258                                                   | 6,725,275      | 156,842,932                       | 6,002,637                              | 268,884,102   |

Note: The insurance service expense includes 1.53 million (2022: Nil) policyholder surplus distributable.

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
PAA 31 December 2023

|                                                             | Asset for remaining coverage | Loss recovery component | PVCF, Contracts measured under PAA | Risk adjustment, Contracts measured under PAA | Total        |
|-------------------------------------------------------------|------------------------------|-------------------------|------------------------------------|-----------------------------------------------|--------------|
|                                                             | SAR                          |                         |                                    |                                               |              |
| Reinsurance contracts - 1 January 2023                      | (4,084,647)                  | -                       | 32,804,001                         | 483,102                                       | 29,202,456   |
| <i>Changes in the statement of income and OCI:</i>          |                              |                         |                                    |                                               |              |
| Amounts allocated to reinsurance                            | (32,618,409)                 | -                       | -                                  | -                                             | (32,618,409) |
| Incurred claims amounts recoverable from reinsurance        | -                            | -                       | 1,156,858                          | 113,349                                       | 1,270,207    |
| Changes that relate to past service: changes related to AIC | -                            | -                       | -                                  | -                                             | -            |
| Losses and reversals of losses on onerous contracts         | -                            | -                       | -                                  | -                                             | -            |
| Investment component: change in profit commission           | -                            | -                       | -                                  | -                                             | -            |
| Net expenses from reinsurance contracts                     | -                            | -                       | 1,156,858                          | 113,349                                       | 1,270,207    |
| Insurance service result                                    | (32,618,409)                 | -                       | 1,156,858                          | 113,349                                       | (31,348,202) |
| Finance income from reinsurance contracts                   | -                            | -                       | (125,211)                          | -                                             | (125,211)    |
| Total changes in the statement of income and OCI            | (32,618,409)                 | -                       | 1,031,647                          | 113,349                                       | (31,473,413) |
| <i>Cashflows</i>                                            |                              |                         |                                    |                                               |              |
| Premiums ceded and acquisition cashflows paid               | (30,061,788)                 | -                       | 1,108,879                          | -                                             | (28,952,909) |
| Recoveries from reinsurance                                 | 3,722,011                    | -                       | (59,508)                           | -                                             | 3,662,503    |
| Total cash inflows / (outflows)                             | (26,339,777)                 | -                       | 1,049,371                          | -                                             | (25,290,406) |
| Net closing balance                                         | (10,363,279)                 | -                       | 32,786,277                         | 596,451                                       | 23,019,449   |
| Reinsurance contracts assets                                | -                            | -                       | 35,425,581                         | 596,451                                       | 36,022,032   |
| Reinsurance contracts liabilities                           | (10,363,279)                 | -                       | (2,639,304)                        | -                                             | (13,002,583) |
|                                                             | (10,363,279)                 | -                       | 32,786,277                         | 596,451                                       | 23,019,449   |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**

GMM (ID1)

|                                                          | 31 December 2023                                             |                |                                                                |                                                 |
|----------------------------------------------------------|--------------------------------------------------------------|----------------|----------------------------------------------------------------|-------------------------------------------------|
|                                                          | Liability for remaining coverage<br>Excluding loss component | Loss component | Liability for incurred claims<br>LIC excluding risk adjustment | Risk adjustment for non-financial risk<br>Total |
|                                                          | SAR                                                          |                |                                                                |                                                 |
| Insurance contracts - 1 January 2023                     | 1,821,207                                                    | -              | 8,080                                                          | 1,829,287                                       |
| <u>Insurance revenue</u>                                 |                                                              |                |                                                                |                                                 |
| Expected incurred claims and other service expenses      | (115,281)                                                    | -              | -                                                              | (115,281)                                       |
| CSM recognized for service period                        | (263)                                                        | -              | -                                                              | (263)                                           |
| Total Insurance revenue                                  | (115,544)                                                    | -              | -                                                              | (115,544)                                       |
| Insurance service expenses                               |                                                              |                |                                                                |                                                 |
| Incurred claims and other directly attributable expenses | -                                                            | -              | 157,256                                                        | 157,256                                         |
| Experience adjustments                                   | -                                                            | -              | -                                                              | -                                               |
| Insurance service expenses                               | -                                                            | -              | 157,256                                                        | 157,256                                         |
| Insurance service result                                 | (115,544)                                                    | -              | 157,256                                                        | 41,712                                          |
| Finance expense from insurance contracts                 | 5,170                                                        | -              | -                                                              | 5,170                                           |
| Total changes in the statement of income and OCI         | (110,374)                                                    | -              | 157,256                                                        | 46,882                                          |
| <u>Cashflows</u>                                         |                                                              |                |                                                                |                                                 |
| Premiums received                                        | 2,415,583                                                    | -              | -                                                              | 2,415,583                                       |
| Claims and other directly attributable expenses paid     | -                                                            | -              | -                                                              | -                                               |
| Insurance acquisition cashflows paid                     | -                                                            | -              | (41,026)                                                       | (41,026)                                        |
| Total cash inflows / (outflows)                          | 2,415,583                                                    | -              | (41,026)                                                       | 2,374,556                                       |
| Net closing balance                                      | 4,126,416                                                    | -              | 124,310                                                        | 4,250,726                                       |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**

| GMM (IDI)                                          |                              | 31 December 2023          |                               |                 |  |
|----------------------------------------------------|------------------------------|---------------------------|-------------------------------|-----------------|--|
|                                                    | Asset for remaining coverage | Asset for incurred claims | Total                         |                 |  |
|                                                    | Excluding loss component     | Loss recovery component   | AIC excluding risk adjustment | Risk adjustment |  |
| SAR                                                |                              |                           |                               |                 |  |
| Reinsurance contracts - 1 January 2023             | (516,835)                    | -                         | -                             | (516,835)       |  |
| <i>Changes in the statement of income and OCI:</i> |                              |                           |                               |                 |  |
| Amounts allocated to reinsurance and recoveries    | -                            | -                         | -                             | -               |  |
| Expected claim recoverable                         | (24,551)                     | -                         | -                             | (24,551)        |  |
| Changes in risk adjustment                         | (0)                          | -                         | -                             | (0)             |  |
| CSM recognized for the service period              | 385                          | -                         | -                             | 385             |  |
| Incurred claims                                    | -                            | -                         | (53,254)                      | -               |  |
| Experience adjustment                              | -                            | -                         | -                             | -               |  |
| Net expenses from reinsurance contracts            | (24,166)                     | -                         | (53,254)                      | -               |  |
| Insurance service result                           | (24,166)                     | -                         | (53,254)                      | -               |  |
| Finance income from reinsurance contracts          | 23,418                       | -                         | -                             | 23,418          |  |
| Total changes in the statement of income and OCI   | (748)                        | -                         | (53,254)                      | -               |  |
| <i>Cashflows</i>                                   |                              |                           |                               |                 |  |
| Premiums ceded                                     | (2,690,775)                  | -                         | -                             | (2,690,775)     |  |
| Commission and management fee                      | 443,728                      | -                         | -                             | 443,728         |  |
| Total cash inflows / (outflows)                    | (2,247,047)                  | -                         | -                             | (2,247,047)     |  |
| Net closing balance                                | (2,764,630)                  | -                         | (53,254)                      | (2,817,883)     |  |

Reinsurance contracts - 1 January 2023

*Changes in the statement of income and OCI:*

Amounts allocated to reinsurance and recoveries

Expected claim recoverable

Changes in risk adjustment

CSM recognized for the service period

Incurred claims

Experience adjustment

Net expenses from reinsurance contracts

Insurance service result

Finance income from reinsurance contracts

Total changes in the statement of income and OCI

Cashflows

Premiums ceded

Commission and management fee

Total cash inflows / (outflows)

Net closing balance

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (ID)**

|                                                                                                    | 31 December 2023                   |                                        |           |           |
|----------------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------|-----------|-----------|
|                                                                                                    | Present value of future cash flows | Risk adjustment for non-financial risk | CSM       | Total     |
|                                                                                                    | SAR                                |                                        |           |           |
| Insurance contracts - 1 January 2023                                                               | (478,979)                          | 75,596                                 | 2,232,670 | 1,829,287 |
| Changes in the statement of profit or loss and OCI                                                 |                                    |                                        |           |           |
| Changes that relate to current service                                                             | (263)                              | -                                      | -         | (263)     |
| CSM recognized for the services provided                                                           | -                                  | -                                      | -         | -         |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | -                                  | -                                      | -         | -         |
| Experience adjustments - relating to insurance service expenses                                    | (115,281)                          | -                                      | -         | (115,281) |
| Other changes on current services                                                                  | 157,256                            | -                                      | -         | 157,256   |
| Incurred expenses                                                                                  | 41,712                             | -                                      | -         | 41,712    |
| Changes that relate to future service                                                              |                                    |                                        |           |           |
| Changes in estimates that adjust the CSM                                                           | -                                  | -                                      | -         | -         |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | (2,251,424)                        | -                                      | 2,160,515 | (90,909)  |
| Contracts initially recognized in the period                                                       | -                                  | 90,909                                 | -         | 90,909    |
| Experience adjustment - arising from premiums received in the period that relate to future service | (2,251,424)                        | 90,909                                 | 2,160,515 | -         |
| Changes that relate to past service                                                                |                                    |                                        |           |           |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                  | -                                      | -         | -         |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                  | -                                      | -         | -         |
| Insurance service result                                                                           | (2,209,712)                        | 90,909                                 | 2,160,515 | 41,712    |
| Net finance income/(expense) from insurance contracts                                              | (27,752)                           | -                                      | 32,922    | 5,170     |
| Total changes in the statement of profit or loss and OCI                                           | (2,237,464)                        | 90,909                                 | 2,193,437 | 46,882    |
| Cash flows                                                                                         |                                    |                                        |           |           |
| Premiums received                                                                                  | 2,415,583                          | -                                      | -         | 2,415,583 |
| Incurred claims paid                                                                               | -                                  | -                                      | -         | -         |
| Insurance acquisition cash flows                                                                   | (41,026)                           | -                                      | -         | (41,026)  |
|                                                                                                    | 2,374,557                          | -                                      | -         | 2,374,557 |
| Net closing balance                                                                                | (341,886)                          | 166,505                                | 4,426,107 | 4,250,726 |

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**18. INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**  
**GMM (ID)**

|                                                                                                    | 31 December 2023                      |         |                                           |                |
|----------------------------------------------------------------------------------------------------|---------------------------------------|---------|-------------------------------------------|----------------|
|                                                                                                    | Present value of<br>future cash flows |         | Risk adjustment for<br>non-financial risk | CSM      Total |
|                                                                                                    | SAR                                   |         |                                           |                |
| Reinsurance contracts - 1 January 2023                                                             | 1,199,484                             | 70,304  | (1,786,623)                               | (516,835)      |
| Changes in the statement of profit or loss and OCI                                                 |                                       |         |                                           |                |
| Changes that relate to current service                                                             | -                                     | -       | -                                         | -              |
| CSM recognized for the services provided                                                           | (53,254)                              | -       | -                                         | (53,254)       |
| Changes in the risk adjustment for non-financial risk for the risk expired                         | (24,551)                              | (0)     | 385                                       | (24,166)       |
| Experience adjustments - relating to reinsurance service expenses                                  | (77,805)                              | (0)     | 385                                       | (77,420)       |
| Other changes on current services                                                                  |                                       |         |                                           |                |
| Changes that relate to future service                                                              | -                                     | -       | -                                         | -              |
| Changes in estimates that adjust the CSM                                                           | -                                     | -       | -                                         | -              |
| Changes in estimates that results in onerous contract losses or reversals of such losses           | 1,651,566                             | 81,142  | (1,732,708)                               | -              |
| Contracts initially recognized in the period                                                       | -                                     | -       | -                                         | -              |
| Experience adjustment - arising from premiums received in the period that relate to future service | 1,651,566                             | 81,142  | (1,732,708)                               | -              |
| Changes that relate to past service                                                                | -                                     | -       | -                                         | -              |
| Changes that relate to past service - changes in the FCF relating to the LIC                       | -                                     | -       | -                                         | -              |
| Experience adjustment - arising from premiums received in the period that relate to past service   | -                                     | -       | -                                         | -              |
| Reinsurance service result                                                                         | -                                     | -       | -                                         | -              |
| Net finance income/(expense) from reinsurance contracts                                            | 1,573,761                             | 81,142  | (1,732,323)                               | (77,420)       |
| Total changes in the statement of profit or loss and OCI                                           | 49,630                                | -       | (26,212)                                  | 23,418         |
| Cash flows                                                                                         | 1,623,391                             | 81,142  | (1,758,534)                               | (54,001)       |
| Ceded premium                                                                                      | (2,690,775)                           | -       | -                                         | (2,690,775)    |
| Commission and management fee                                                                      | 443,728                               | -       | -                                         | 443,728        |
| Net closing balance                                                                                | (2,247,047)                           | -       | -                                         | (2,247,047)    |
|                                                                                                    | 575,828                               | 151,446 | (3,545,158)                               | (2,817,883)    |

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**18.INSURANCE AND REINSURANCE CONTRACTS ASSETS AND LIABILITIES (CONTINUED)**

**18.1 CLAIMS DEVELOPMENT TABLE**

**Claims triangulation analysis by accident year**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

**Gross**

|                                                                                            | 31 December<br>2019 and earlier | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2024 | Total                |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Accident year</b>                                                                       |                                 |                     |                     |                     |                     |                     |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 543,500,279                     | 171,071,337         | 150,480,073         | 403,197,571         | 259,680,235         | 279,794,495         | 279,794,495          |
| One year later                                                                             | 472,532,111                     | 142,956,617         | 135,709,539         | 402,421,659         | 250,823,894         | -                   | 250,823,894          |
| Two years later                                                                            | 464,146,450                     | 135,803,152         | 138,425,103         | 403,262,013         | -                   | -                   | 403,262,013          |
| Three years later                                                                          | 447,229,404                     | 138,522,533         | 133,352,810         | -                   | -                   | -                   | 133,352,810          |
| Four years later                                                                           | 440,547,368                     | 134,003,635         | -                   | -                   | -                   | -                   | 134,003,635          |
| Five years later                                                                           | 1,627,606,441                   | -                   | -                   | -                   | -                   | -                   | 1,627,606,441        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,627,606,441</b>            | <b>134,003,635</b>  | <b>133,352,810</b>  | <b>403,262,013</b>  | <b>250,823,894</b>  | <b>279,794,495</b>  | <b>2,828,843,288</b> |
| Cumulative payments to date                                                                | (1,621,341,145)                 | (132,358,952)       | (130,475,858)       | (395,354,098)       | (237,364,496)       | (208,587,172)       | (2,725,481,721)      |
| <b>Total cumulative gross claim reserves recognized in statement of financial position</b> | <b>6,265,296</b>                | <b>1,644,683</b>    | <b>2,876,952</b>    | <b>7,907,915</b>    | <b>13,459,398</b>   | <b>71,207,323</b>   | <b>103,361,567</b>   |

**NET (after considering effect of reinsurance)**

|                                                                                          | 31 December<br>2019 and earlier | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 | 31 December<br>2024 | Total                |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Accident year</b>                                                                     |                                 |                     |                     |                     |                     |                     |                      |
| Estimate of cumulative claims:                                                           |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                              | 503,794,094                     | 161,565,269         | 141,916,147         | 383,867,681         | 252,825,333         | 252,409,918         | 252,409,918          |
| One year later                                                                           | 444,379,751                     | 137,999,442         | 132,499,428         | 389,821,675         | 244,891,232         | -                   | 244,891,232          |
| Two years later                                                                          | 436,830,790                     | 131,553,627         | 134,737,970         | 392,523,490         | -                   | -                   | 392,523,490          |
| Three years later                                                                        | 422,541,798                     | 134,294,383         | 129,677,658         | -                   | -                   | -                   | 129,677,658          |
| Four years later                                                                         | 416,644,728                     | 129,450,819         | -                   | -                   | -                   | -                   | 129,450,819          |
| Five years later                                                                         | 1,457,228,650                   | -                   | -                   | -                   | -                   | -                   | 1,457,228,650        |
| <b>Current estimate of cumulative claims incurred</b>                                    | <b>1,457,228,650</b>            | <b>129,450,819</b>  | <b>129,677,658</b>  | <b>392,523,490</b>  | <b>244,891,232</b>  | <b>252,409,918</b>  | <b>2,606,181,767</b> |
| Cumulative payments to date                                                              | (1,453,283,647)                 | (128,139,999)       | (127,554,164)       | (386,371,676)       | (234,527,183)       | (204,604,340)       | (2,534,481,010)      |
| <b>Total cumulative net claim reserves recognized in statement of financial position</b> | <b>3,945,003</b>                | <b>1,310,820</b>    | <b>2,123,494</b>    | <b>6,151,814</b>    | <b>10,364,049</b>   | <b>47,805,578</b>   | <b>71,700,757</b>    |

**Gross**

|                                                                                            | 31 December<br>2018 and earlier | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 | Total                |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Accident year</b>                                                                       |                                 |                     |                     |                     |                     |                     |                      |
| Estimate of cumulative claims:                                                             |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                                | 268,242,289                     | 275,257,990         | 171,071,337         | 150,480,073         | 403,197,571         | 259,680,235         | 259,680,235          |
| One year later                                                                             | 225,865,951                     | 246,666,160         | 142,956,617         | 135,709,539         | 402,421,659         | -                   | 402,421,659          |
| Two years later                                                                            | 218,815,831                     | 245,330,619         | 135,803,152         | 138,425,103         | -                   | -                   | 138,425,103          |
| Three years later                                                                          | 211,563,337                     | 235,666,067         | 138,522,533         | -                   | -                   | -                   | 138,522,533          |
| Four years later                                                                           | 204,057,080                     | 236,490,288         | -                   | -                   | -                   | -                   | 236,490,288          |
| Five years later                                                                           | 1,395,801,140                   | -                   | -                   | -                   | -                   | -                   | 1,395,801,140        |
| <b>Current estimate of cumulative claims incurred</b>                                      | <b>1,395,801,140</b>            | <b>236,490,288</b>  | <b>138,522,533</b>  | <b>138,425,103</b>  | <b>402,421,659</b>  | <b>259,680,235</b>  | <b>2,571,340,958</b> |
| Cumulative payments to date                                                                | (1,389,237,246)                 | (233,750,867)       | (130,881,309)       | (129,658,647)       | (381,875,543)       | (193,318,987)       | (2,458,722,599)      |
| <b>Total cumulative gross claim reserves recognized in statement of financial position</b> | <b>6,563,894</b>                | <b>2,739,421</b>    | <b>7,641,224</b>    | <b>8,766,456</b>    | <b>20,546,116</b>   | <b>66,361,248</b>   | <b>112,618,359</b>   |

**NET (after considering effect of reinsurance)**

|                                                                                          | 31 December<br>2018 and earlier | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2021 | 31 December<br>2022 | 31 December<br>2023 | Total                |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Accident year</b>                                                                     |                                 |                     |                     |                     |                     |                     |                      |
| Estimate of cumulative claims:                                                           |                                 |                     |                     |                     |                     |                     |                      |
| At the end of accident year                                                              | 249,529,105                     | 254,264,989         | 161,565,269         | 141,916,147         | 383,867,681         | 252,825,333         | 252,825,333          |
| One year later                                                                           | 215,187,713                     | 229,192,038         | 137,999,442         | 132,499,428         | 389,821,675         | -                   | 389,821,675          |
| Two years later                                                                          | 208,641,058                     | 228,189,732         | 131,553,627         | 134,737,970         | -                   | -                   | 134,737,970          |
| Three years later                                                                        | 202,825,216                     | 219,716,582         | 134,294,383         | -                   | -                   | -                   | 134,294,383          |
| Four years later                                                                         | 195,857,437                     | 220,787,291         | -                   | -                   | -                   | -                   | 220,787,291          |
| Five years later                                                                         | 1,240,693,886                   | -                   | -                   | -                   | -                   | -                   | 1,240,693,886        |
| <b>Current estimate of cumulative claims incurred</b>                                    | <b>1,240,693,886</b>            | <b>220,787,291</b>  | <b>134,294,383</b>  | <b>134,737,970</b>  | <b>389,821,675</b>  | <b>252,825,333</b>  | <b>2,373,160,538</b> |
| Cumulative payments to date                                                              | (1,235,849,875)                 | (218,050,136)       | (127,053,356)       | (126,724,973)       | (375,960,877)       | (191,619,555)       | (2,275,258,772)      |
| <b>Total cumulative net claim reserves recognized in statement of financial position</b> | <b>4,844,011</b>                | <b>2,737,155</b>    | <b>7,241,027</b>    | <b>8,012,997</b>    | <b>13,860,798</b>   | <b>61,205,778</b>   | <b>97,901,766</b>    |

**BURUJ COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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*Expressed in Saudi Arabian Riyals*

**19. CAPITAL MANAGEMENT**

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the 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 order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by Insurance Authority (IA) in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per IA Implementing Regulations.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

**20. SHARE CAPITAL**

The authorized, issued and paid-up share capital of the Company is SAR 300 million divided into 30 million shares of SAR 10 each (2023: SAR 300 million).

The shareholders of the Company are subject 100% to Zakat.

**21. STATUTORY RESERVE**

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of IA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

**22. EARNINGS PER SHARE**

Basic and diluted earnings / (loss) per share for the year 2024 and 2023 have been calculated by dividing the net (loss)/ income for the period attributable to shareholders' by the weighted average number of ordinary shares issued and outstanding shares (30 million shares) at the year end as:

|                                                     | <b>31 December<br/>2024</b> | <b>31 December<br/>2023</b> |
|-----------------------------------------------------|-----------------------------|-----------------------------|
|                                                     | <b>SR</b>                   | <b>SR</b>                   |
| Net profit attributable to shareholders after zakat | <b>9,385,565</b>            | 20,083,440                  |
| Weighted average number of ordinary shares          | <b>30,000,000</b>           | 30,000,000                  |
| Basic and diluted earning per share                 | <b>0.31</b>                 | 0.67                        |



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**23. 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 organization 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 short-term health 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:

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' behavior, 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 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 2024 and 2023, the Company had quota share reinsurance arrangement for certain Company of contracts to reduce its exposure through partial transfer of insurance risk. Reinsurance premium ceded reached 11.83% of gross premium written (2023: 9.73%).
- The reinsurers selected met IA 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 or medical declarations.

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**23. RISK MANAGEMENT (CONTINUED)**

**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. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

|                                                                                                                                    | 31 December<br>2024 | 31 December<br>2023 |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in claims ratio</b>                           |                     |                     |
| 5% Increase                                                                                                                        | (16,423,576)        | (16,761,385)        |
| 5% Decrease                                                                                                                        | 16,423,576          | 16,761,385          |
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in risk adjustment for non-financial risk</b> |                     |                     |
| 5% Increase                                                                                                                        | 24,724              | (68,236)            |
| 5% Decrease                                                                                                                        | (24,724)            | 68,236              |
| <b>Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component</b>  |                     |                     |
| 5% Increase                                                                                                                        | 356,132             | (1,845,184)         |
| 5% Decrease                                                                                                                        | (356,132)           | 1,845,184           |

**b).CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

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

|                                                | 31 December<br>2024 | 31 December<br>2023 |
|------------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                      | 173,678,154         | 98,964,335          |
| Investments                                    | 245,182,369         | 276,865,305         |
| Term deposits                                  | 191,880,330         | 270,626,665         |
| Statutory deposit                              | 29,998,613          | 29,998,695          |
| Accrued commission income on statutory deposit | 1,881,070           | 1,093,595           |
| Insurance contract assets                      | 22,991,247          | 63,445,619          |
| Reinsurance contract assets                    | 52,899,154          | 38,839,915          |
| Prepaid expenses and other assets              | 33,229,886          | 51,050,209          |
| Accrued income                                 | 8,276,718           | 12,312,210          |
|                                                | <b>760,017,541</b>  | <b>843,196,548</b>  |

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**23. RISK MANAGEMENT (CONTINUED)**

**c). 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:

|                                               | 2024               |                    |                    |
|-----------------------------------------------|--------------------|--------------------|--------------------|
|                                               | Up to one year     | More than one year | Total              |
| Insurance contract liabilities                | 234,244,827        | -                  | 234,244,827        |
| Reinsurance contract liabilities              | 12,825,645         | -                  | 12,825,645         |
| Accrued income payable to Insurance Authority | 1,881,070          | -                  | 1,881,070          |
| Lease liabilities                             | 1,149,352          | 1,221,186          | 2,370,538          |
| Accrued expenses and other liabilities        | 27,796,196         | -                  | 27,796,196         |
|                                               | <b>277,897,090</b> | <b>1,221,186</b>   | <b>279,118,276</b> |
|                                               | 2023               |                    |                    |
|                                               | Up to one year     | More than one year | Total              |
| Insurance contract liabilities                | 336,580,449        | -                  | 336,580,449        |
| Reinsurance contract liabilities              | 13,002,583         | -                  | 13,002,583         |
| Accrued income payable to Insurance Authority | 1,093,595          | -                  | 1,093,595          |
| Lease Liabilities                             | -                  | -                  | -                  |
| Accrued expenses and other liabilities        | 23,491,027         | -                  | 23,491,027         |
|                                               | <b>374,167,654</b> | <b>-</b>           | <b>374,167,654</b> |

**d). CURRENCY RISK**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

**e). MARKET PRICE RISK**

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

The Company has investments in quoted 'sukuks', fixed rate bonds and locally quoted equities and investment funds (see note 5), which have been classified under 'FVTPL' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the income and consequently 'shareholders' equity (for investments held under shareholders' operations) by SAR 3.31 million (2023: SAR 4.44 million).

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**24. PREMIUMS WRITTEN AND CEDED BY TYPE OF CUSTOMERS**

| <b>31 December 2024</b>     |                   |                    |                                |                    |
|-----------------------------|-------------------|--------------------|--------------------------------|--------------------|
|                             | <b>Medical</b>    | <b>Motors</b>      | <b>Property &amp; Casualty</b> | <b>Total</b>       |
|                             | <b>SAR</b>        |                    |                                |                    |
| Individual clients          | 15,118,225        | 106,740,794        | 11,096,579                     | 132,955,598        |
| Very small size entities    | 43,918,023        | 23,425,647         | 1,665,996                      | 69,009,666         |
| Small size Entities         | 2,114,728         | 25,438,297         | 12,247,931                     | 39,800,956         |
| Medium size entities        | 2,420             | 14,629,292         | 9,374,825                      | 24,006,537         |
| Large size entities         | 8,472,879         | 76,093,609         | 23,401,600                     | 107,968,088        |
| <b>Total</b>                | <b>69,626,275</b> | <b>246,327,639</b> | <b>57,786,931</b>              | <b>373,740,845</b> |
| <b>31 December 2023</b>     |                   |                    |                                |                    |
|                             | <b>Medical</b>    | <b>Motors</b>      | <b>Property &amp; Casualty</b> | <b>Total</b>       |
|                             | <b>SAR</b>        |                    |                                |                    |
| Individual clients          | 33,125,703        | 189,146,782        | 2,150,323                      | 224,422,808        |
| Very small size entities    | 62,148,699        | 19,593,691         | 1,062,534                      | 82,804,924         |
| Small size Entities         | 2,105,402         | 18,157,551         | 10,746,155                     | 31,009,108         |
| Medium size entities        | 96,405            | 18,747,546         | 9,900,166                      | 28,744,117         |
| Large size entities         | 5,116             | 35,876,509         | 19,938,137                     | 55,819,762         |
| <b>Total</b>                | <b>97,481,325</b> | <b>281,522,079</b> | <b>43,797,315</b>              | <b>422,800,719</b> |
| <b>31 December 2024</b>     |                   |                    |                                |                    |
|                             | <b>Medical</b>    | <b>Motors</b>      | <b>Property &amp; Casualty</b> | <b>Total</b>       |
|                             | <b>SAR</b>        |                    |                                |                    |
| Gross written premiums      | 69,626,275        | 246,327,639        | 57,786,931                     | 373,740,845        |
| Reinsurance premiums ceded  |                   |                    |                                | -                  |
| - Foreign                   | (2,873,852)       | (3,685,907)        | (27,890,399)                   | (34,450,158)       |
| - Local                     | (957,951)         | (2,071,767)        | (6,723,296)                    | (9,753,014)        |
| <b>Net premiums written</b> | <b>65,794,472</b> | <b>240,569,965</b> | <b>23,173,236</b>              | <b>329,537,673</b> |
| <b>31 December 2023</b>     |                   |                    |                                |                    |
|                             | <b>Medical</b>    | <b>Motors</b>      | <b>Property &amp; Casualty</b> | <b>Total</b>       |
|                             | <b>SAR</b>        |                    |                                |                    |
| Gross written premiums      | 97,481,325        | 281,522,079        | 43,797,315                     | 422,800,719        |
| Reinsurance premiums ceded  |                   |                    |                                |                    |
| - Foreign                   | (2,852,551)       | (4,923,535)        | (25,605,501)                   | (33,381,587)       |
| - Local                     | (713,140)         | (1,230,882)        | (5,826,057)                    | (7,770,079)        |
| <b>Net premiums written</b> | <b>93,915,634</b> | <b>275,367,662</b> | <b>12,365,757</b>              | <b>381,649,053</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**

*Expressed in Saudi Arabian Riyals*

**25. SUPPLEMENTARY INFORMATION**

|                                                | 31 December 2024     |                         |                    | 31 December 2023     |                          |                    |
|------------------------------------------------|----------------------|-------------------------|--------------------|----------------------|--------------------------|--------------------|
|                                                | Insurance operations | Shareholder' operations | Total              | Insurance operations | Shareholders' operations | Total              |
| <b>ASSETS</b>                                  |                      |                         |                    |                      |                          |                    |
| Cash and cash equivalents                      | 131,825,041          | 41,853,113              | 173,678,154        | 64,579,387           | 34,384,948               | 98,964,335         |
| Term deposits                                  | 101,966,681          | 89,913,649              | 191,880,330        | 170,836,506          | 99,790,159               | 270,626,665        |
| Investments                                    | 24,985,342           | 220,197,027             | 245,182,369        | 51,588,818           | 225,276,487              | 276,865,305        |
| Accrued income                                 | 4,034,246            | 4,242,472               | 8,276,718          | 5,461,805            | 6,850,405                | 12,312,210         |
| Insurance contract assets                      | 22,991,247           | -                       | 22,991,247         | 63,445,619           | -                        | 63,445,619         |
| Reinsurance contract assets                    | 52,899,154           | -                       | 52,899,154         | 38,839,915           | -                        | 38,839,915         |
| Prepaid expenses and other assets              | 33,020,086           | 209,800                 | 33,229,886         | 50,928,575           | 121,634                  | 51,050,209         |
| Statutory deposit                              | -                    | 29,998,613              | 29,998,613         | -                    | 29,998,695               | 29,998,695         |
| Accrued commission income on statutory deposit | -                    | 1,881,070               | 1,881,070          | -                    | 1,093,595                | 1,093,595          |
| Right-of-use assets                            | 2,642,065            | -                       | 2,642,065          | 273,761              | -                        | 273,761            |
| Property and equipment                         | 6,427,722            | -                       | 6,427,722          | 4,167,861            | -                        | 4,167,861          |
| <b>TOTAL ASSETS</b>                            | <b>380,791,584</b>   | <b>388,295,744</b>      | <b>769,087,328</b> | <b>450,122,247</b>   | <b>397,515,923</b>       | <b>847,638,170</b> |
| <b>LIABILITIES</b>                             |                      |                         |                    |                      |                          |                    |
| Insurance contract liabilities                 | 234,244,827          | -                       | 234,244,827        | 336,580,449          | -                        | 336,580,449        |
| Reinsurance contract liabilities               | 12,825,645           | -                       | 12,825,645         | 13,002,583           | -                        | 13,002,583         |
| Accrued income payable to Insurance Authority  | -                    | 1,881,070               | 1,881,070          | -                    | 1,093,595                | 1,093,595          |
| Lease Liabilities                              | 2,370,538            | -                       | 2,370,538          | -                    | -                        | -                  |
| Accrued expenses and other liabilities         | 25,692,072           | 2,104,124               | 27,796,196         | 21,285,037           | 2,205,990                | 23,491,027         |
| Provision for end-of-service benefits          | 5,060,010            | -                       | 5,060,010          | 7,826,377            | -                        | 7,826,377          |
| Provision for zakat                            | -                    | 10,536,540              | 10,536,540         | -                    | 20,807,684               | 20,807,684         |
| <b>TOTAL LIABILITIES</b>                       | <b>280,193,092</b>   | <b>14,521,734</b>       | <b>294,714,826</b> | <b>378,694,446</b>   | <b>24,107,269</b>        | <b>402,801,715</b> |
| <b>EQUITY</b>                                  |                      |                         |                    |                      |                          |                    |
| Share capital                                  | -                    | 300,000,000             | 300,000,000        | -                    | 300,000,000              | 300,000,000        |
| Statutory reserves                             | -                    | 57,477,869              | 57,477,869         | -                    | 41,561,174               | 41,561,174         |
| Retained earnings                              | -                    | 51,724,199              | 51,724,199         | -                    | 55,600,756               | 55,600,756         |
| Fair value reserve for investments             | -                    | 59,231,336              | 59,231,336         | 3,458,778            | -                        | 3,458,778          |
| Actuarial gain on end of service benefits      | 5,939,098            | -                       | 5,939,098          | -                    | 44,215,747               | 44,215,747         |
| <b>TOTAL EQUITY</b>                            | <b>5,939,098</b>     | <b>468,433,404</b>      | <b>474,372,502</b> | <b>3,458,778</b>     | <b>441,377,677</b>       | <b>444,836,455</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>            | <b>286,132,190</b>   | <b>482,955,138</b>      | <b>769,087,328</b> | <b>382,153,224</b>   | <b>465,484,946</b>       | <b>847,638,170</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2024**

*Expressed in Saudi Arabian Riyals*

**25. SUPPLEMENTARY INFORMATION (CONTINUED)**

|                                                                  | 31 December 2024     |                          |                    | 31 December 2023     |                          |                    |
|------------------------------------------------------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
|                                                                  | Insurance operations | Shareholders' operations | Total              | Insurance operations | Shareholders' operations | Total              |
| <b>REVENUES</b>                                                  |                      |                          |                    |                      |                          |                    |
| Insurance revenue                                                | 372,730,192          | -                        | 372,730,192        | 373,444,279          | -                        | 373,444,279        |
| Insurance service expense                                        | (343,707,688)        | -                        | (343,707,688)      | (337,187,783)        | -                        | (337,187,783)      |
| Net expenses from reinsurance contracts held                     | (14,972,451)         | -                        | (14,972,451)       | (31,270,774)         | -                        | (31,270,774)       |
| <b>Insurance service result</b>                                  | <b>14,050,053</b>    | <b>-</b>                 | <b>14,050,053</b>  | <b>4,985,722</b>     | <b>-</b>                 | <b>4,985,722</b>   |
| Fair value change on FVTPL investments                           | 262,986              | (3,753,741)              | (3,490,755)        | 1,605,110            | 62,930                   | 1,668,040          |
| Net gains from sale of investments                               | -                    | (2,611,606)              | (2,611,606)        | -                    | 6,884                    | 6,884              |
| Interest revenue from financial assets measured at amortize cost | 13,040,698           | 5,821,331                | 18,862,029         | 11,741,764           | 6,900,977                | 18,642,741         |
| Interest revenue from financial assets measured at FVTPL         | -                    | 2,636,322                | 2,636,322          | -                    | 3,136,253                | 3,136,253          |
| Dividend from financial assets measured at FVTPL                 | 2,105,804            | 8,389,387                | 10,495,191         | 507,202              | 4,540,189                | 5,047,391          |
| Net expected credit loss reversal on financial assets            | (35,162)             | (459,258)                | (494,420)          | (21,429)             | 135,844                  | 114,415            |
| Other investment income / (loss)                                 | 136,053              | (765,684)                | (629,631)          | 28,941               | (18,920)                 | 10,021             |
| <b>Net investment income</b>                                     | <b>15,510,379</b>    | <b>9,256,751</b>         | <b>24,767,130</b>  | <b>13,861,588</b>    | <b>14,764,157</b>        | <b>28,625,745</b>  |
| Finance expense from insurance contracts issued                  | (526,350)            | -                        | (526,350)          | (1,474,382)          | -                        | (1,474,382)        |
| Finance income from reinsurance contracts held                   | (1,039,499)          | -                        | (1,039,499)        | (148,630)            | -                        | (148,630)          |
| <b>Net insurance finance expense</b>                             | <b>(1,565,849)</b>   | <b>-</b>                 | <b>(1,565,849)</b> | <b>(1,623,012)</b>   | <b>-</b>                 | <b>(1,623,012)</b> |
| <b>Net insurance and investment results</b>                      | <b>27,994,583</b>    | <b>9,256,751</b>         | <b>37,251,334</b>  | <b>17,224,298</b>    | <b>14,764,157</b>        | <b>31,988,455</b>  |
| Other operating expenses                                         | (16,522,203)         | (3,449,584)              | (19,971,787)       | (16,852,134)         | (2,958,889)              | (19,811,023)       |
| Other income net                                                 | 1,912,053            | -                        | 1,912,053          | 13,402,711           | -                        | 13,402,711         |
| <b>Net profit attributed to the shareholders before zakat</b>    | <b>13,384,433</b>    | <b>5,807,167</b>         | <b>19,191,600</b>  | <b>13,774,875</b>    | <b>11,805,268</b>        | <b>25,580,143</b>  |
| Provision for zakat                                              | -                    | (9,806,035)              | (9,806,035)        | -                    | (5,496,703)              | (5,496,703)        |
| <b>NET PROFIT ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT</b>     | <b>13,384,433</b>    | <b>(3,998,868)</b>       | <b>9,385,565</b>   | <b>13,774,875</b>    | <b>6,308,565</b>         | <b>20,083,440</b>  |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

**25. SUPPLEMENTARY INFORMATION (CONTINUED)**

|                                                                                     | 31 December 2024     |                          |                   | 31 December 2023     |                          |                   |
|-------------------------------------------------------------------------------------|----------------------|--------------------------|-------------------|----------------------|--------------------------|-------------------|
|                                                                                     | Insurance operations | Shareholders' operations | Total             | Insurance operations | Shareholders' operations | Total             |
| <b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT</b>                        |                      |                          |                   |                      |                          |                   |
| Items that will never be reclassified to the statement of income in subsequent year | 13,384,433           | (3,998,868)              | 9,385,565         | 13,774,875           | 6,308,565                | 20,083,440        |
| Actuarial gains/(losses) on defined benefit obligation                              | 2,480,320            | -                        | 2,480,320         | 487,619              | -                        | 487,619           |
| Net changes in fair value of investments measured at FVOCI – equity instruments     | -                    | 17,670,162               | 17,670,162        | -                    | 3,781,125                | 3,781,125         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                      | <b>15,864,753</b>    | <b>13,671,294</b>        | <b>29,536,047</b> | <b>14,262,494</b>    | <b>10,089,690</b>        | <b>24,352,184</b> |

**BURUJ COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
*Expressed in Saudi Arabian Riyals*

**25. SUPPLEMENTARY INFORMATION (CONTINUED)**

|                                                                 | 31 December 2024     |                          |                     | 31 December 2023     |                          |                      |
|-----------------------------------------------------------------|----------------------|--------------------------|---------------------|----------------------|--------------------------|----------------------|
|                                                                 | Insurance operations | Shareholders' operations | Total               | Insurance operations | Shareholders' operations | Total                |
| <b>CASHFLOWS FROM OPERATING ACTIVITIES</b>                      |                      |                          |                     |                      |                          |                      |
| Gross income / (loss) for the year before zakat                 | 13,384,433           | 5,807,167                | 19,191,600          | 13,774,875           | 11,805,268               | 25,580,143           |
| <b>Adjustments for non-cash items:</b>                          |                      |                          |                     |                      |                          |                      |
| Depreciation and amortization of property and equipment         | 1,744,305            | -                        | 1,744,305           | 1,555,988            | -                        | 1,555,988            |
| Net fair value gain / (loss) on sale of investments at FVTPL    | (262,986)            | 3,753,741                | 3,490,755           | (1,605,110)          | (62,930)                 | (1,668,040)          |
| Interest revenue from financial assets                          | (15,677,020)         | (5,821,331)              | (21,498,351)        | (14,878,017)         | (6,900,977)              | (21,778,994)         |
| Dividend from financial assets measured at FVTPL                | (2,105,804)          | (8,389,387)              | (10,495,191)        | (507,202)            | (4,540,189)              | (5,047,391)          |
| Finance charges on lease liabilities                            | 112,783              | -                        | 112,783             | 143,217              | (135,844)                | 7,373                |
| Other investment income                                         | (136,053)            | 765,684                  | 629,631             | (28,941)             | 18,920                   | (10,021)             |
| Gain on disposal of property and equipment                      | 4,815                | -                        | 4,815               | -                    | -                        | -                    |
| Provision for employee benefits obligation                      | 1,120,215            | -                        | 1,120,215           | 1,188,781            | -                        | 1,188,781            |
| Depreciation of Right-of-use assets                             | 1,154,450            | -                        | 1,154,450           | 1,060,295            | -                        | 1,060,295            |
| Expected credit loss/(gain)                                     | (552,292)            | 459,258                  | (93,034)            | 21,429               | (135,844)                | (114,415)            |
|                                                                 | (1,213,155)          | (3,424,868)              | (4,638,023)         | 725,315              | 48,404                   | 773,719              |
| <b>Changes in operating assets and liabilities:</b>             |                      |                          |                     |                      |                          |                      |
| Prepaid expenses and other assets                               | 17,908,489           | (88,166)                 | 17,820,323          | (4,304,404)          | 485,511                  | (3,818,893)          |
| Accrued expenses and other liabilities                          | 4,407,035            | (101,866)                | 4,305,169           | 10,062,487           | (344,360)                | 9,718,127            |
| Insurance contracts net                                         | (61,881,250)         | -                        | (61,881,250)        | (6,215,286)          | -                        | (6,215,286)          |
| Reinsurance contracts net                                       | (14,236,177)         | -                        | (14,236,177)        | 3,881,959            | -                        | 3,881,959            |
| <b>Cash generated from / (used in ) operating activities</b>    | <b>(53,801,903)</b>  | <b>(190,032)</b>         | <b>(53,991,935)</b> | <b>4,150,071</b>     | <b>189,555</b>           | <b>3,565,907</b>     |
| Zakat paid                                                      | -                    | (20,077,179)             | (20,077,179)        | -                    | (11,235,996)             | (11,235,996)         |
| Payment of employee benefits obligation                         | (1,406,262)          | -                        | (1,406,262)         | (1,102,675)          | -                        | (1,102,675)          |
| <b>Net cash used in operating activities</b>                    | <b>(56,421,320)</b>  | <b>(23,692,079)</b>      | <b>(80,113,399)</b> | <b>3,047,396</b>     | <b>(11,046,441)</b>      | <b>(7,999,045)</b>   |
| <b>CASHFLOWS FROM INVESTING ACTIVITIES</b>                      |                      |                          |                     |                      |                          |                      |
| Additions to property and equipment                             | (4,011,503)          | -                        | (4,011,503)         | (2,185,155)          | -                        | (2,185,155)          |
| Proceeds from disposal fixed assets                             | 138,653              | -                        | 138,653             | 1,216                | -                        | 1,216                |
| Additions to investments                                        | -                    | (2,851,483)              | (2,851,483)         | (25,000,000)         | (64,344,380)             | (89,344,380)         |
| Investment income received                                      | 20,598,983           | 15,430,051               | 36,029,034          | 15,572,659           | 8,130,231                | 23,702,890           |
| Proceeds from sale of investments                               | -                    | 47,948,147               | 47,948,147          | -                    | 5,511,562                | 5,511,562            |
| Additions / (disposal) in term deposits                         | 68,962,860           | 9,876,510                | 78,839,369          | (194,426,444)        | 108,834,112              | (85,592,332)         |
| <b>Net cash generated from / (used in) investing activities</b> | <b>85,688,992</b>    | <b>70,403,225</b>        | <b>156,092,217</b>  | <b>(206,037,724)</b> | <b>58,131,525</b>        | <b>(147,906,199)</b> |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES</b>                      |                      |                          |                     |                      |                          |                      |
| Lease liabilities paid                                          | (1,265,000)          | -                        | (1,265,000)         | (1,100,000)          | -                        | (1,100,000)          |
| Due to shareholders' operations                                 | 39,242,981           | (39,242,981)             | -                   | 68,161,262           | (68,161,262)             | -                    |
| <b>Net cash used in financing activities</b>                    | <b>37,977,981</b>    | <b>(39,242,981)</b>      | <b>(1,265,000)</b>  | <b>67,061,262</b>    | <b>(68,161,262)</b>      | <b>(1,100,000)</b>   |
| Net (decrease) / increase in cash and cash equivalents          | 67,245,654           | 7,468,165                | 74,713,819          | (135,929,066)        | (21,076,178)             | (157,005,244)        |
| Cash and cash equivalents at the beginning of the year          | 64,579,387           | 34,384,948               | 98,964,335          | 200,508,453          | 55,461,126               | 255,969,579          |
| <b>Cash and cash equivalents at the end of the year</b>         | <b>131,825,041</b>   | <b>41,853,113</b>        | <b>173,678,154</b>  | <b>64,579,387</b>    | <b>34,384,948</b>        | <b>98,964,335</b>    |
| <b>Supplemental schedule of non-cash information</b>            |                      |                          |                     |                      |                          |                      |
| Foreign currency translation adjustments                        | -                    | -                        | -                   | -                    | -                        | -                    |



**BURUJ COOPERATIVE INSURANCE COMPANY****(A SAUDI JOINT STOCK COMPANY)****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2024***Expressed in Saudi Arabian Riyals***26. COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform to the current period presentation. However, there has been no impact of reclassification on the overall presentation of the financial statements.

The following represent reclassification for the year ended 31 December 2023:

|                                                                | Before<br>reclassification | reclassification | After<br>reclassification |
|----------------------------------------------------------------|----------------------------|------------------|---------------------------|
| Depreciation of property, equipment, ROU and intangible assets | 2,616,283                  | (2,616,283)      | -                         |
| Depreciation of property, and equipment                        | -                          | 1,555,988        | 1,555,988                 |
| Depreciation of right-of-use assets                            | -                          | 1,060,295        | 1,060,295                 |
|                                                                | <b>2,616,283</b>           | <b>-</b>         | <b>2,616,283</b>          |

**27. CHANGE IN THE ORDER OF LIQUIDITY OF THE STATEMENT OF FINANCIAL POSITION**

In the current year, the management reassessed the order of liquidity in terms of IAS 1 – Financial Statement Presentation and noted that the certain items needed to be reconsidered in terms of the order of liquidity.

**28. EVENTS AFTER THE REPORTING DATE**

There are no subsequent events to the year ended 31 December 2024.

**29. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 17 March 2025 corresponding to 17 Ramadan, 1446.

## Appendix (4)

### Medgulf's Pro Forma Financials for the Fiscal Year Ending on 31 December 2024



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#### **Independent practitioner's assurance report on the compilation of the unaudited pro forma consolidated financial information included in the Shareholders' Circular**

**To the Shareholders of The Mediterranean & Gulf Cooperative Insurance and Reinsurance Company (Medgulf )  
 (A Saudi Joint Stock Company)**

#### **Report on the compilation of the unaudited pro forma consolidated financial information**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma consolidated financial information of The Mediterranean & Gulf Cooperative Insurance and Reinsurance Company (the "Company") prepared by the Company's management. The unaudited pro forma consolidated financial information consists of the unaudited pro forma consolidated statement of financial position as at December 31, 2024 and the unaudited pro forma consolidated statement of income for the year ended December 31, 2024 and the related notes (the "unaudited pro forma consolidated financial information"). Prepared in accordance with the requirements of Annex 20 and Article 60 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia and the standards described in Note A to the accompanying unaudited pro forma consolidated financial information (the "applicable criteria").

The unaudited pro forma consolidated financial information has been compiled by management to illustrate the impact of the merger, of Buruj Cooperative Insurance Company ("Buruj") and The Mediterranean & Gulf Cooperative Insurance and Reinsurance Company ("the Company"), as set out in notes to the unaudited pro forma consolidated financial information, on the Company's financial position as at December 31, 2024 as if the Transactions had taken place as at that 01 January 2024 and its financial performance for the year ended December 31, 2024.

As part of this process, information about the Company's financial position as at December 31, 2024 and its financial performance for the years then ended have been extracted by management from the audited financial statements for the year ended December 31, 2024 on which an unqualified audit report dated March 27, 2025 was issued. Information about Buruj's financial position as at December 31, 2024 and its financial performance for the year then ended has been extracted by management from the audited financial statements of Buruj Cooperative Insurance Company for the year ended December 31, 2024, on which an unqualified audit report dated March 26, 2025 was issued.

#### **Management's responsibility for the unaudited pro forma consolidated financial information**

Management is responsible for compiling the unaudited pro forma consolidated financial information on the basis of the applicable criteria described in Note A to the unaudited pro forma consolidated financial information and in accordance with the requirements of Annex 20 and Article 60 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia.

#### **Our independence and quality management**

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our reasonable assurance engagement and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.



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Our firm applies the International Standard on Quality Management (ISQM) 1, as endorsed in the Kingdom of Saudi Arabia, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Practitioner's responsibilities**

Our responsibility is to express an opinion, about whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of the applicable criteria described in notes to the unaudited pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Shareholders' circular, as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma consolidated financial information on the basis of the applicable criteria described in notes to the unaudited pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma consolidated financial information.

The purpose of unaudited pro forma consolidated financial information included in a Shareholders' circular prepared in accordance with the requirements of Article (60) of the Rules on the Offer of Securities and Continuing Obligations is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance regarding the actual outcome of the event or transaction as at December 31, 2024.

A reasonable assurance engagement to report on whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Al Kharashi & Co.**

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**Opinion**

In our opinion, the unaudited pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note A to the unaudited pro forma consolidated financial information.

**Intended users and purpose**

Our report has been issued solely for inclusion in the Shareholders' Circular issued in accordance with the requirements of Article (60) of the Rules on the Offer of Securities and Continuing Obligations and therefore should not be used for any other purpose.

**For Al-Kharashi & Co.**

**Abdullah S. Al Msned**  
**License No. 456**



26 August 2025  
 (03 Rabi ul Awal 1447H)

**THE MEDITERRANEAN AND GULF INSURANCE AND REINSURANCE COMPANY**  
**PRO-FORMA STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**

| Note                                                                 | SAR '000 |                  |                   |             | Consolidated<br>Pro-Forma |                  |
|----------------------------------------------------------------------|----------|------------------|-------------------|-------------|---------------------------|------------------|
|                                                                      | Medgulf  | Buruj            | Pro-Forma         |             |                           |                  |
|                                                                      |          |                  | Reclassifications | Adjustments |                           |                  |
| <b>ASSETS</b>                                                        |          |                  |                   |             |                           |                  |
| Cash and cash equivalents                                            |          | 486,067          | 173,678           | -           | -                         | 659,745          |
| Short term deposits                                                  |          | 29,445           | 191,881           | -           | -                         | 221,326          |
| Investments carried at fair value through P&L                        | 7b       | 351,311          | -                 | 183,792     | -                         | 535,103          |
| Insurance contract assets                                            |          | 2,866            | 22,991            | -           | -                         | 25,857           |
| Reinsurance contract assets                                          |          | 416,030          | 52,899            | -           | -                         | 468,929          |
| Prepayment and other assets, net                                     | 7a       | 196,350          | 33,230            | 8,277       | -                         | 237,857          |
| Investments in associates                                            | 7b       | 9,901            | -                 | 236         | -                         | 10,137           |
| Investments carried at fair value through other comprehensive income | 7b       | 79,273           | -                 | 61,154      | -                         | 140,427          |
| Investments carried at amortized cost                                |          | 621,108          | -                 | -           | -                         | 621,108          |
| Property and equipment, net                                          |          | 18,315           | 6,428             | -           | -                         | 24,743           |
| Intangible assets, net                                               |          | 11,093           | -                 | -           | -                         | 11,093           |
| Right of use assets, net                                             |          | 1,577            | 2,642             | -           | -                         | 4,219            |
| Statutory deposit                                                    |          | 157,500          | 29,999            | -           | -                         | 187,499          |
| Accrued commission on statutory deposit                              |          | 11,726           | 1,881             | -           | -                         | 13,607           |
| Goodwill                                                             | 8d       | 480,000          | -                 | -           | 146,343                   | 626,343          |
| Deferred tax asset                                                   |          | 10,474           | -                 | -           | -                         | 10,474           |
| Accrued Income                                                       | 7a       | -                | 8,277             | (8,277)     | -                         | -                |
| Investments                                                          | 7b       | -                | 245,182           | (245,182)   | -                         | -                |
| <b>TOTAL ASSETS</b>                                                  |          | <b>2,883,036</b> | <b>769,087</b>    | <b>-</b>    | <b>146,343</b>            | <b>3,798,467</b> |
| <b>LIABILITIES</b>                                                   |          |                  |                   |             |                           |                  |
| Accrued expenses and other liabilities                               | 7c       | 125,241          | 27,796            | 1,200       | -                         | 154,237          |
| Insurance contract liabilities                                       | 7c       | 1,659,510        | 234,245           | (1,200)     | -                         | 1,892,555        |
| Reinsurance contract liabilities                                     |          | 10,752           | 12,826            | -           | -                         | 23,578           |
| Zakat & income tax                                                   |          | 9,810            | 10,537            | -           | -                         | 20,347           |
| Lease liability                                                      |          | 2,080            | 2,371             | -           | -                         | 4,451            |
| End of service indemnities                                           |          | 35,273           | 5,060             | -           | -                         | 40,333           |
| Accrued commission income payable to IA                              |          | 11,726           | 1,881             | -           | -                         | 13,607           |
| <b>TOTAL LIABILITIES</b>                                             |          | <b>1,854,392</b> | <b>294,715</b>    | <b>-</b>    | <b>-</b>                  | <b>2,149,107</b> |
| <b>EQUITY</b>                                                        |          |                  |                   |             |                           |                  |
| Share capital                                                        | 8a       | 1,050,000        | 300,000           | -           | 31,579                    | 1,381,579        |
| Share premium                                                        | 8c       | 70,000           | -                 | -           | 289,137                   | 359,137          |
| Statutory reserve                                                    |          | 26,135           | 57,478            | -           | (57,478)                  | 26,135           |
| Accumulated losses / Retained earnings                               |          | (155,135)        | 51,724            | -           | (51,724)                  | (155,135)        |
| Re-measurement of defined benefit liability – employees benefits     |          | (21,364)         | 5,939             | -           | (5,939)                   | (21,364)         |
| Fair values reserve on investments                                   |          | 59,008           | 59,231            | -           | (59,231)                  | 59,008           |
| <b>TOTAL EQUITY</b>                                                  |          | <b>1,028,644</b> | <b>474,373</b>    | <b>-</b>    | <b>146,343</b>            | <b>1,649,360</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                  |          | <b>2,883,036</b> | <b>769,087</b>    | <b>-</b>    | <b>146,343</b>            | <b>3,798,467</b> |

**THE MEDITERRANEAN AND GULF INSURANCE AND REINSURANCE COMPANY**  
**PRO-FORMA STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

| Note                                                                                                      | SAR '000       |                 |                   |             |                        |
|-----------------------------------------------------------------------------------------------------------|----------------|-----------------|-------------------|-------------|------------------------|
|                                                                                                           | Medgulf        | Buruj           | Pro-Forma         |             | Consolidated Pro-Forma |
|                                                                                                           |                |                 | Reclassifications | Adjustments |                        |
| Insurance revenue                                                                                         | 3,551,790      | 372,730         | -                 | -           | 3,924,520              |
| Insurance service expense                                                                                 | (3,170,901)    | (343,708)       | 1,200             | -           | (3,513,409)            |
| Net expense from reinsurance contract held                                                                | (361,077)      | (14,972)        | -                 | -           | (376,049)              |
| <b>Insurance service result</b>                                                                           | <b>19,812</b>  | <b>14,050</b>   | <b>1,200</b>      | <b>-</b>    | <b>35,062</b>          |
| Investment income on financial assets at amortised cost                                                   | 49,053         | 18,862          | (494)             | -           | 67,421                 |
| Investment income on financial assets at fair value                                                       | (2,856)        | 2,636           | (6,072)           | -           | (6,292)                |
| Dividend income                                                                                           | 18,612         | 10,495          | -                 | -           | 29,107                 |
| Fair value change on FVTPL investments                                                                    | -              | (3,491)         | 3,491             | -           | -                      |
| Net gains from sale of investments                                                                        | -              | (2,612)         | 2,612             | -           | -                      |
| Net impairment loss on financial assets                                                                   | -              | (494)           | 494               | -           | -                      |
| Other investment income / (loss)                                                                          | -              | (630)           | 630               | -           | -                      |
| <b>Net investment income</b>                                                                              | <b>64,809</b>  | <b>24,767</b>   | <b>660</b>        | <b>-</b>    | <b>90,236</b>          |
| Insurance finance expense for insurance contracts issued                                                  | (27,685)       | (526)           | -                 | -           | (28,211)               |
| Reinsurance finance income for reinsurance contracts held                                                 | 23,096         | (1,039)         | -                 | -           | 22,057                 |
| <b>Net insurance finance expense</b>                                                                      | <b>(4,589)</b> | <b>(1,566)</b>  | <b>-</b>          | <b>-</b>    | <b>(6,155)</b>         |
| <b>Net insurance and investment result</b>                                                                | <b>80,032</b>  | <b>37,251</b>   | <b>1,860</b>      | <b>-</b>    | <b>119,143</b>         |
| Other income                                                                                              | 37,169         | 1,912           | (16,522)          | -           | 22,559                 |
| Share of (loss) / income from associate                                                                   | (286)          | -               | (660)             | -           | (946)                  |
| Shareholders' general and admin expenses                                                                  | (6,857)        | -               | (3,450)           | -           | (10,307)               |
| Other operating expenses                                                                                  | -              | (19,972)        | 19,972            | -           | -                      |
| <b>Total other operating income / (expense)</b>                                                           | <b>30,026</b>  | <b>(18,060)</b> | <b>(660)</b>      | <b>-</b>    | <b>11,306</b>          |
| <b>Net income for the year before appropriation and before zakat and income tax</b>                       | <b>110,058</b> | <b>19,192</b>   | <b>1,200</b>      | <b>-</b>    | <b>130,450</b>         |
| Net income attributed to insurance operation                                                              | (3,020)        | -               | (1,200)           | -           | (4,220)                |
| <b>Net income for the year after appropriation and before zakat and income tax</b>                        | <b>107,038</b> | <b>19,192</b>   | <b>-</b>          | <b>-</b>    | <b>126,230</b>         |
| Zakat and income tax expense                                                                              | (8,232)        | (9,806)         | -                 | -           | (18,038)               |
| Deferred tax                                                                                              | 3,188          | -               | -                 | -           | 3,188                  |
| <b>Income attributed to the shareholders after zakat and income tax</b>                                   | <b>101,994</b> | <b>9,386</b>    | <b>-</b>          | <b>-</b>    | <b>111,380</b>         |
| <b>Other comprehensive income / (loss)</b>                                                                |                |                 |                   |             |                        |
| <b>Items that will not be reclassified to interim condensed statement of income in subsequent periods</b> |                |                 |                   |             |                        |
| Net changes in fair value of investments measured at FVOCI – equity instruments                           | 17,670         | 17,670          | -                 | -           | 35,340                 |
| Re-measurement gain / (loss) on end of service indemnities                                                | (8,217)        | 2,480           | -                 | -           | (5,737)                |
| <b>Total other comprehensive income / (loss)</b>                                                          | <b>9,453</b>   | <b>20,150</b>   | <b>-</b>          | <b>-</b>    | <b>29,603</b>          |
| <b>Items that are or may be reclassified to statement of income in subsequent periods</b>                 |                |                 |                   |             |                        |
| Share of other comprehensive loss of investment in equity accounted investments                           | (223)          | -               | -                 | -           | (223)                  |
|                                                                                                           | <b>(223)</b>   | <b>-</b>        | <b>-</b>          | <b>-</b>    | <b>(223)</b>           |
| <b>Total comprehensive income for the year</b>                                                            | <b>111,224</b> | <b>29,536</b>   | <b>-</b>          | <b>-</b>    | <b>140,760</b>         |
| <b>Earnings per share based on income for the year (SAR per share)</b>                                    | <b>0.97</b>    | <b>0.31</b>     | <b>-</b>          | <b>-</b>    | <b>0.81</b>            |

**THE MEDITERRANEAN AND GULF INSURANCE AND REINSURANCE COMPANY**  
**NOTES TO THE PRO-FORMA FINANCIAL INFORMATION**

**A Basis for the preparation and presentation of pro-forma financial information**

The accompanying Pro-Forma Financial Information of The Mediterranean And Gulf Insurance and Reinsurance Company ("Medgulf") have been presented for the purpose as set out in the Introduction section and have been prepared based on, and in accordance with the basis of preparation as set out in this note A.

1. The historical financial information of Medgulf and Buruj were extracted from the following:
  - The audited financial statements of Medgulf for the year ended 31 December 2024 (referred to as the 'Medgulf FY24 Financial Statements') have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) in the Kingdom of Saudi Arabia; and
  - The audited financial statements of Buruj for the year ended 31 December 2024 (referred to as the 'Buruj FY24 Financial Statements') have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) in the Kingdom of Saudi Arabia.
2. The accounting policies applied for the preparation of this Pro-Forma Financial Information are consistent with those disclosed in Medgulf FY24 Financial Statements. The accounting policies of Buruj are materially consistent with the accounting policies of Medgulf, unless otherwise stated.
3. The Merger Transaction has been accounted for in the Pro-Forma Financial Information in accordance with IFRS 3 "Business Combinations", which requires an acquirer to be identified in a business combination to apply acquisition method of accounting principles. For the purpose of this Pro-Forma Financial Information, Medgulf has been identified as the accounting acquirer. Medgulf has applied the "acquisition method" of accounting for the Merger Transaction and is required to fair value the assets, liabilities and contingent liabilities acquired at the date of acquisition and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on acquisition. The determination of purchase consideration and the fair value exercise ("purchase price allocation" or "PPA") is not completed as at the date of this Pro-Forma Financial Information and accordingly the acquired assets and liabilities of Buruj have been reflected in this Pro-Forma Financial Information at their book values. The PPA exercise may result in materially different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in this Pro-Forma Financial Information which is prepared for illustrative purposes only.
4. There were no material inter-company transactions and balances between Medgulf and Buruj that should have been eliminated for the purposes of this Pro-Forma Financial Information in accordance with IFRS 10 "Consolidated Financial Statements".
5. The Pro-Forma Financial Information should be read in conjunction with the Medgulf FY24 Financial Statements and Buruj FY24 Financial Statements. Certain disclosures that may be required by International Financial Reporting Standards ("IFRS"), and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") have not been included in this Pro-Forma Financial Information.
6. The Pro-Forma Financial Information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Merger Transaction. The Pro-Forma Financial Information gives no indication of the results and future financial situation of the activities of Medgulf upon completion of the Merger Transaction.

**7 Description of the Pro-Forma adjustments**

The pro-forma adjustments incorporated in the Pro-Forma Financial Information are based on information available as well as certain pro-forma assumptions as described in these notes to the Pro-Forma Financial Information. Moreover, the pro-forma adjustments give effect to events that are directly attributable to the Merger Transaction, are factually supportable and are expected to have a continuing impact on the statement of financial position and statement of income of Medgulf.

The Pro-Forma Financial Information contains neither any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Merger Transaction. Furthermore, the Pro-Forma Financial Information does not contain any potential or future obligations resulting from any possible remedies/regulatory requirements imposed on Medgulf upon completion of the Merger Transaction by regulatory authorities, such as the transfer of a portion of income to statutory reserve, in connection with the Merger Transaction. In addition, the Pro-Forma Financial Information has not been adjusted for the Acquisition related costs.

The Pro-Forma adjustments included in the Pro-Forma Financial Information are as follows:

To ensure consistency in the presentation of the statements of financial position for Medgulf and Buruj as of 31 December 2024, as reflected in the Pro-Forma Financial Information, the following adjustments were made:

- a) Buruj's 'Accrued income' of SAR 8,276,718 as of 31 December 2024 has been reclassified to 'Prepayment and Other Assets, net'.
- b) Buruj's 'Investments' totaling SAR 245,182,369 as of 31 December 2024 have been reclassified into specific categories. Details are as follows:
  - SAR 236,372 as of 31 December 2024 reclassified as 'Investments in associates' respectively.
  - SAR 61,154,414 as of 31 December 2024 reclassified as 'Investments carried at fair value through OCI' respectively.
  - SAR 183,791,583 as of 31 December 2024 reclassified as 'Investments carried at fair value through P&L' respectively.
- c) Buruj's liability for 'income attributed to insurance operations' amounting to SAR 1,199,878 as of 31 December 2024 has been reclassified from 'Insurance contract liabilities' to 'Accrued expenses and other liabilities' to align with Medgulf's presentation. Information related to the accumulated balance from prior years is not available; therefore, only the amount related to the year ended 31 December 2024 has been reclassified, while prior period balances remain under 'Insurance contract liabilities'.

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**NOTES TO THE PRO-FORMA FINANCIAL INFORMATION**

d) To ensure consistency in the presentation of the statements of income for Medgulf and Buruj as of 31 December 2024, as reflected in the Pro-Forma Financial Information, the following adjustments were made:

- SAR 1,199,878 for the year ended 31 December 2024 was reclassified from 'Insurance service expense' to 'Net income attributed to insurance operations' to present Buruj's attributed income separately in line with Medgulf's presentation.

Components of Buruj's 'Net investment income' for the year ended 31 December 2024 respectively have been reclassified into specific categories as follows:

- SAR 3,490,760 for the year ended 31 December 2024 reclassified from 'Fair value change on FVTPL investments' to 'Investment income on financial assets at fair value,' respectively.
- SAR 2,611,606 for the year ended 31 December 2024 reclassified from 'Net gains from sale of investments' to 'Investment income on financial assets at fair value,' respectively.
- SAR 494,273 for the year ended 31 December 2024 reclassified from 'Net impairment on financial assets' to 'Investment income on financial assets at amortised cost,' respectively.

Following amounts have been reclassified from 'Other investment income/(loss)':

- SAR 30,290 for the year ended 31 December 2024 reclassified to 'Investment income on financial assets at fair value,' respectively.
- SAR 659,921 for the year ended 31 December 2024 reclassified to 'Share of loss from associate' respectively.

e) Following amounts have been reclassified from 'Buruj's 'Other operating expenses':

- SAR 3,449,584 for the year ended 31 December 2024 has been reclassified to 'Shareholders' general and admin expenses' respectively.
- SAR 16,522,203 for the year ended 31 December 2024 has been reclassified to 'Other income' respectively.

8 The following adjustments have been made to the Pro Forma Financial Information to reflect the merger transaction between Buruj and Medgulf. For the purposes of the Pro Forma Financial Information, the acquisition consideration has been determined based on a share exchange ratio of 1 Buruj share for every 1.10526313333333 Medgulf shares, as agreed between the management of Medgulf and Buruj.

The Merger Transaction is expected to result in the issuance of 33,157,894 Medgulf shares to acquire the entire issued share capital of Buruj. Following the Merger Transaction, Buruj and Medgulf shareholders will hold 24% and 76%, respectively, of Medgulf's total issued share capital as of the Merger Transaction date.

**a) Pro-Forma share capital of Medgulf after the merger transaction**

|                                                                                 |              |                      |
|---------------------------------------------------------------------------------|--------------|----------------------|
| Outstanding shares of Buruj as at 31 December 2024 (Shares)                     | (A)          | 30,000,000           |
| Exchange ratio                                                                  | (B)          | 1.10526313333333     |
| Number of shares to be issued by Medgulf (Shares)                               | (C=A*B)      | 33,157,894           |
| Nominal value of shares to be issued by Medgulf (SAR)                           | (D=C*10)     | 331,578,940          |
| Outstanding share capital of Medgulf as at 31 December 2024 (SAR)               | (E)          | 1,050,000,000        |
| <b>Total issued share capital of Medgulf after the merger transaction (SAR)</b> | <b>(D+E)</b> | <b>1,381,578,940</b> |

Applying the rules of IFRS 3, the consideration for Medgulf's acquisition of Buruj would be the fair value of 33,157,894 shares of Medgulf that Medgulf would have to issue to acquire Buruj's issued share capital.

The total value of the Consideration Shares will be determined at a later stage based on the closing share price of Medgulf as published on Tadawul on the last trading day prior to the completion of the Merger Transaction. For the purposes of this Pro-Forma Financial Information, the consideration has been provisionally calculated using Medgulf's closing share price of SAR 18.72 on the Saudi Stock Exchange (Tadawul) as at 29 June 2025.

The final purchase consideration will be determined upon completion of the purchase price allocation (PPA) exercise, based on the fair value of the shares issued in accordance with the terms of the Merger and Implementation Agreement.

**b) Pro-Forma total consideration**

The consideration is computed as follows:

|                                                                         |                    |
|-------------------------------------------------------------------------|--------------------|
| Number of shares to be issued by Medgulf to Buruj shareholders (Shares) | 33,157,894         |
| Multiplied by fair value per share of Medgulf as at 29 June 2025 (SAR)  | 18.72              |
| <b>Total Consideration as at 31 December 2024 (SAR)</b>                 | <b>620,715,776</b> |

**c) Pro-Forma share premium of Medgulf after the merger transaction**

As a result of above calculation of the Total Consideration, a share premium of SAR 289,136,016 arises on Medgulf's issuance of the Consideration Shares for the Acquisition computed as follows:

|                                                                         |                    |
|-------------------------------------------------------------------------|--------------------|
| Total Consideration (SAR)                                               | 620,715,776        |
| Less: Par value of shares issued by Medgulf to Buruj shareholders (SAR) | (331,578,940)      |
| <b>Share premium as at 31 December 2024 (SAR)</b>                       | <b>289,136,836</b> |



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**NOTES TO THE PRO-FORMA FINANCIAL INFORMATION**

**d) Pro-Forma Goodwill / (Bargain purchase) after the merger transaction**

|                                                        |                    |
|--------------------------------------------------------|--------------------|
| Total Consideration (SAR)                              | 620,715,776        |
| Less: Net assets of Buruj as at 31 December 2024 (SAR) | (474,372,502)      |
| <b>Goodwill (SAR)</b>                                  | <b>146,343,274</b> |

Goodwill represents the excess of Total Consideration over net assets of Buruj as at 31 December 2024 and the assumption that the Merger Transaction had taken place on that date.

The Pro-Forma Financial Information does not include any fair value adjustments on the balance sheet assets and liabilities, intangible assets arising from the Merger Transaction and contingent liabilities of Buruj as required by IFRS 3 as the Pro-Forma Financial Information does not reflect the impact of the PPA exercise which is yet to be completed. Once the PPA exercise has been completed, goodwill will need to be allocated into fair value adjustments resulting from the PPA exercise as at the date of the Merger.

**9 Key Performance Indicators of Medgulf according to Pro-Forma Financial Information compared to the financial statements of Medgulf**

|                                                          | <b>Medgulf<br/>31-Dec-24</b> | <b>Pro-Forma<br/>31-Dec-24</b> |
|----------------------------------------------------------|------------------------------|--------------------------------|
| Insurance service result (SAR)                           | 19,812,000                   | 35,061,931                     |
| Net profit to shareholders (SAR)                         | 101,994,000                  | 111,379,707                    |
| Total assets (SAR)                                       | 2,883,036,000                | 3,798,466,602                  |
| Total equity (SAR)                                       | 1,028,644,000                | 1,649,359,776                  |
| Profit margin (Profit after tax / insurance revenue) (%) | 3%                           | 3%                             |

10 The completion of the purchase price allocation may result in different values being attributed to the assets, liabilities and contingent liabilities of Buruj, acquired as part of the Merger than those that are shown in the Pro-Forma Financial Information for illustrative purposes. Therefore, no adjustments to such provisional amounts have been made in the pro-forma statement of income or statement of financial position, such as, in connection with intangible assets amortisation or goodwill impairment.

## **Appendix (5)**

### **Copy of Buruj's Bylaws and Memorandum of Association**

**The Articles of Association of  
Buruj Cooperative Insurance Company  
A Saudi Joint Stock Company**

## **Chapter 1:**

### **Incorporation:**

#### **Article (1): Incorporation:**

The Company shall be incorporated according to the Cooperative Insurance Companies Control Law and its implementing regulations, the Companies Law, the Capital Market Law and its Implementing Regulations, and the Company's Articles of Association, as a Saudi joint stock company by and between the Shareholders and pursuant to the provisions set forth herein below.

#### **Article (2): Name of the Company:**

Buruj Cooperative Insurance Company (a Saudi Joint Stock Company).

#### **Article (3): Purposes of the Company:**

The Company shall conduct cooperative insurance activities and relevant activities such as reinsurance, agencies, representation, correspondence, or brokerage. The Company shall have the right to carry out all the activities that needs to be done to achieve its purposes, whether in the field of insurance or investing its money. The Company may own, mobilize, sell, exchange, or rent immovable property and cash funds, directly through it, or through companies that it establishes, buys, or enters into partnership with other parties. The Company shall carry on business in accordance with provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, applicable laws and rules in force within the Kingdom and under licenses acquired from the competent authority, if any.

#### **Article (4): Participation and Ownership in Companies:**

The Company may establish limited liability companies or closed joint stock companies. It may also own stocks and shares in, or merge with, other existing companies and it may participate with third parties in the establishment of joint stock companies (JSCs) or limited liability companies (LLCs) - provided that the companies that the Company establishes or has an interest therein or merge therewith conduct business similar to their financial business or activities, or that its co-operates therewith in attainment of its objectives after complying with the requirements of the relevant laws and instructions and after obtaining the Insurance Authority's approval.

**Article (5): Head Office of the Company:**

The Company's head office shall be located in Riyadh, Saudi Arabia. Upon a resolution passed in the Extraordinary General Assembly, along with the Insurance Authority's approval, the head office may be relocated to any other city in Saudi Arabia, and the Company may establish branches, offices or representative agencies inside or outside Saudi Arabia after obtaining the Insurance Authority's approval.

**Article (6): Term of the Company**

The term of the Company shall be (99) ninety-nine Gregorian years commencing from the date whereon the Company was registered in the Commercial Registry. The term of the Company may be extended by virtue of a resolution passed by the Extraordinary General Assembly at least One Year before the expiry of such term.

**Chapter 2:****The Rules Governing the Company while Conducting Its Activities and Purposes:****Article (7): Company Investments:**

The Company shall invest the money of the insured and Shareholders of the Company, according to the rules established by the Board of Directors, without prejudice to the Cooperative Insurance Companies Control Law and its Implementing Regulations and other relevant bylaws and instructions promulgated and approved by the Insurance Authority or any other related party.

**Chapter 3:****Capital and Shares:****Article (8): Capital:**

The Company's capital is (300,000,000) (S.R. three hundred million), divided into (30,000,000) thirty million cash shares of pari passu; each nominal value is S.R. (10), all of which are ordinary cash shares.

**Article (9): Subscription in Share Capital**

The Shareholders have subscribed to the entire Company's capital and the value has been fully paid up.

**Article (10): Shareholders' Register:**

The Company's shares are traded by virtue of the provisions of the Capital Market Law and its Implementing Regulations.

**Article (11): Issuance of Shares:**

The Company's shares are nominal and shall not be issued for less than their nominal value, but may be issued for a higher value. In this last case, the difference in value shall be added in a separate item within the Shareholders' equity. It shall not be distributed as dividends to Shareholders. The stock is indivisible before the Company. Should the share be owned by multiple persons, they shall select one of them to act on their behalf in the use of the rights related thereto, and such persons shall jointly be deemed liable for the obligations arising from the ownership of the share.

**Article (12): Trading of Shares:**

Shares subscribed by the founders shall be traded only after the publication of the financial statements for two (2) fiscal years, each of which shall not be less than twelve (12) months upon date of incorporation. Such instruments of shares shall be endorsed to clarify the type and date of incorporation as well as the period during which trading is prohibited. However, during the above prohibition period, shares may be transferred in accordance with provisions related to selling titles from one founder to another or from successors of a founder, in the case of death, to third parties. The shares may be further transferred in case of applying execution on funds of the insolvent or bankrupt founder, provided that other founders shall have the preference to acquire such shares. The provisions of this Article shall be applied to shares subscribed by founders in case of increasing capital before elapse of such prohibition period.

**Article (13): Capital Increase:**

- 1- The Extraordinary General Assembly may decide to increase the capital of the Company after obtaining the approval of the Insurance Authority (IA) and the Capital Market Authority (CMA), provided that

the capital has been fully paid up. Full payment of the capital is not required if the unpaid portion pertains to shares issued in exchange for the conversion of debt instruments or financing securities into shares, and the conversion period has not yet expired.

- 2- The Extraordinary General Assembly may, in all cases, allocate the shares issued during a capital increase, or a portion thereof, to the Company's employees and its subsidiaries, or any of them. Shareholders shall not have preemptive rights over the shares allocated to employees.
- 3- A Shareholder holding shares at the time of the issuance of the General Assembly's resolution approving an increase in the Share Capital shall have a preemptive right to subscribe for the new shares issued against cash contributions. Such Shareholders shall be notified of their preemptive right, if applicable, through publication in a daily newspaper or by registered mail. The notice shall include details of the resolution to increase the Share Capital, the subscription terms, its duration, and the commencement and expiry dates.
- 4- The Extraordinary General Assembly shall have the right to suspend preemptive rights to subscribe for increasing the Share Capital for cash shares or give such preemptive rights to non-Shareholders, as deemed appropriate in the interest of the Company.
- 5- The Shareholder may sell or relinquish the preemptive right during the period from the time the General Assembly passed a resolution approving the capital increase till the last day of subscribing to the new shares associated with such rights, by virtue of the regulations established by the Insurance Authority.

**Article (14): Capital Decrease:**

- 1- The Extraordinary General Assembly shall have the authority to resolve a decrease in the Share Capital if it exceeds the Company's requirements or if the Company has sustained losses, provided that such resolution is approved by the competent authorities. Notwithstanding the foregoing, the paid-up Share Capital of an insurance or reinsurance company shall not fall below (300) Three Hundred Million Saudi Riyals. The capital decrease resolution shall be issued only after the presentation of a statement prepared by the Board of Directors, detailing the reasons necessitating the decrease,

the Company's obligations, and the anticipated impact of the decrease on the Company's ability to meet such obligations. This statement shall be accompanied by a report issued by the Auditor.

- 2- If the Share Capital is decreased because it exceeds the Company's requirements, the creditors shall be duly called to raise objections. This call notice shall be issued at least (45) forty-five days prior to the scheduled date of the Extraordinary General Assembly Meeting convened to decide on the decrease. The call notice shall include a statement detailing the capital amount before and after the decrease, the meeting date, and the effective date of the decrease. If any creditor objects to the decrease and submits their documents on the specified date, the Company shall pay the debt if it is immediately due or provide sufficient security to satisfy it if the same is deferred.
- 3- In any Share Capital decrease, equal treatment shall be ensured for Shareholders holding shares of the same type and class.

#### **Chapter 4:**

##### **Board of Directors:**

##### **Article (15): Management of the Company:**

The Company shall be managed by a Board of Directors consisting of seven (7) members, who shall be natural persons, elected by the Ordinary General Assembly for a period not exceeding three (3) years. The composition of the Board of Directors shall demonstrate an appropriate representation of the independent members. In all cases, the number of independent Board members may not be less than (2) two members or (1/3) one third of the Board members, whichever is greater.

##### **Article (16): Termination of the Board of Directors Membership:**

- 1- Membership in the Board of Directors shall terminate upon the expiry of the term of appointment, resignation, death or if it is established to the Board of Directors that the member has breached his duties to the detriment of the Company's interest, provided that this is accompanied by the approval of the Ordinary General Assembly, or with the expiration of his membership pursuant to any Law or instructions in force in Saudi Arabia, or if he is declared bankrupt or insolvent, submits an arrangement request with his creditors, defaults on his

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debts, suffers from a mental illness or physical disability that impairs their ability to fully perform their duties, or if it is established that he committed an act in breach of honesty and morals, or is convicted of forgery under a final judgment.

- 2- The General Assembly, upon the recommendation of the Board of Directors, may resolve to terminate the membership of any Board member who fails to attend three (3) consecutive meetings or five (5) non-consecutive meetings during their term of office without a legitimate excuse deemed acceptable by the Board of Directors.
- 3- The Ordinary General Assembly shall have the authority, at any time, to remove all or certain members of the Board of Directors, provided that such removal is in compliance with the rules and regulations prescribed by the Capital Market Authority. In such instances, the Ordinary General Assembly shall elect a new Board of Directors or appoint a replacement for the dismissed member, as the case may be, in accordance with the provisions of the Companies Law and its Implementing Regulations.
- 4- If a Board member resigns and has comments on the performance of the Company, he shall submit a written statement explaining such comments to the Board Chairman and such statement shall be presented to the Board of Directors.
- 5- The Insurance Authority shall be notified of the resignation or termination of any Board member for any reason, except for the expiration of the Board's session, within (5) five business days from the date of their departure. Such notice shall comply with the requirements governing appointments to leadership positions and the applicable disclosure obligations.

**Article (17): Termination of the Board's Term, Resignation of Members, or Vacancies in Membership:**

- 1- Prior to the expiration of its term, the Board of Directors shall call the Ordinary General Assembly to convene for the election of a new Board of Directors for the forthcoming term. If the election cannot be held and the current Board's term expires, its members shall continue to carry out their duties until a new Board of Directors is elected, provided that such continuation does not exceed ninety (90) days. The Board



of Directors shall take all necessary steps to facilitate the election of a new Board of Directors before the expiration of this period.

- 2- If the Chairman and members of the Board of Directors resign, they shall convene the Ordinary General Assembly to elect a new Board of Directors. The resignation shall not take effect until the new Board is elected, and the duration of the resigned Board's continued term shall not exceed one hundred and twenty (120) days. The Board of Directors shall undertake all necessary actions to facilitate the election of a new Board before the expiration of this period.
- 3- A Board member may resign from his position by submitting a written notice to the Board Chairman. If the Chairman resigns, the notice shall be directed to the other Board members and the Board Secretary. In both cases, the resignation shall take effect from the date specified in the notice.
- 4- In the event that the position of a Board member becomes vacant due to the death or resignation of a member, and the vacancy does not cause the Board to fall below the minimum number of members required for a valid quorum, the Board may (temporarily) appoint in the vacant position a member who has sufficient experience and after obtaining the Insurance Authority's no-objection. This shall be reported to the Commercial Register and the Capital Market Authority within fifteen (15) days of the appointment. The appointment shall be presented to the Ordinary General Assembly at its first meeting, and the appointed member shall complete the term of their predecessor.
- 5- If the Board of Directors is unable to convene validly due to the number of its members falling below the minimum stipulated in the Companies Law or these Articles of Association, the remaining members shall convene the Ordinary General Assembly within sixty (60) days to elect the necessary number of members.

**Article (18): Board Powers:**

Subject to the powers reserved for the General Assembly, the Board of Directors shall possess the broadest authority to manage the Company in a manner that fulfills its objectives. Within the scope of its authority, the Board may delegate one or more of its members or third parties to perform specific tasks or actions, provided that such delegation complies with applicable laws and regulations. The Board of Directors, without

limitation, shall have the right to represent the Company in its dealings with third parties, government authorities, and private entities. The Board Chairman shall hold judicial authority on behalf of the Company before all Sharia courts, the Board of Grievances, labor offices, higher and primary labor dispute settlement committees, the Committee for Commercial Papers, all other judicial committees, arbitration panels, civil rights authorities, police departments, chambers of commerce and industry, companies, institutions, banks, financial institutions, government funds, and financing bodies of all forms and capacities, as well as other creditors. The Chairman shall further have the right to acknowledge claims, initiate and defend legal proceedings, litigate, negotiate settlements, accept or reject judgments, engage in arbitration, enforce judgments or challenge them, receive proceeds from enforcement actions, discharge the Company's debtors from obligations, participate in tenders, and undertake the sale, purchase, or mortgaging of real estate. The Board Chairman may also conclude and sign in the name and on behalf of the Company all types of contracts, deeds and documents, including without limitation the companies' memoranda of association (MOAs) wherein the Company participates with all its amendments, appendices, amendment resolutions and signing of agreements and instruments before the notary public and official bodies, as well as loan agreements, warranties, guarantees and instruments for the sale and purchase of real estate, issuing powers of attorney (POAs) on behalf of the Company, selling, buying, conveying, accepting the same, receiving, delivering, renting, leasing, receiving and paying, opening accounts and credits, withdrawing and depositing with banks, issuing guarantees to banks, funds and government financing institutions, signing all papers, promissory notes, cheques, all commercial papers and documents, and all banking transactions.

**Article (19): Board Members Remuneration:**

The minimum annual remuneration for the Chairman and the Board members shall be One Hundred Twenty Thousand Saudi Riyals (S.R. 120,000), and the maximum amount shall be Five Hundred Thousand Saudi Riyals (S.R. 500,000) annually against their membership in the Board of Directors and their participation in its activities, inclusive of additional remuneration in the event of a Board member's participation in any of the committees stemmed from the Board of Directors, excluding the Audit Committee.

In case the Company realizes profits, a percentage equal to (10%) of the rest of the net profit may be distributed after deducting the reserves specified by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to Shareholders of no less than (5%) of the Company's paid capital , provided that the entitlement to such remuneration is inconsistent with the number of sessions attended by the Board member, and any estimate to the contrary shall be void.

In all cases, the total remuneration, monetary benefits, and in-kind benefits received by a Board member shall not exceed Five Hundred Thousand Saudi Riyals (S.R. 500,000) per annum.

The maximum limit for the allowance for attending the sessions of the Board of Directors and its committees shall be an amount of Five Thousand Saudi Riyals (S.R 5000) against each session, excluding travel and accommodation expenses.

Each Board member, including the Chairman, shall be compensated against the actual expenses they incur in order to attend meetings of the Board or committees stemmed from the Board of Directors, including travel, accommodation and subsistence expenses.

The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a detailed statement of all amounts paid to the Board members during the fiscal year, such as remunerations, expenses allowance and other benefits. In addition, such report shall include a statement of amounts received by Board members as workers or administrators, or against technical, administrative or consultation services. The report shall also include a statement of the number of Board of Directors sessions and the number of sessions attended by each member from the last General Assembly Meeting.

**Article (20): Powers of the Chairman, Vice Chairman, Managing Director, and the Secretary:**

The Board of Directors shall appoint, from amongst its members, a Chairman and a Vice Chairman. The Board shall also appoint a Chief Executive Officer and may designate a Managing Director. The positions of Board Chairman and any executive role within the Company shall not be held by the same individual concurrently. The Board Chairman shall be vested with the authority to sign on behalf of the Company and to

execute the resolutions adopted by the Board. Furthermore, the Chairman shall represent the Company before judicial authorities, arbitration panels, and third parties. By virtue of a written resolution, the Chairman may delegate specific powers to other Board members or to third parties for the performance of specific tasks or duties. The Board of Directors shall determine the salaries, allowances, and remunerations for both of the Chairman and the Managing Director, by virtue of the provisions of Article (19) of these Articles of Association. The Board of Directors shall appoint a Secretary for the Board. The Board may also appoint one or more advisors in the various affairs of the Company, and the Board shall determine their remuneration. The term of the Chairman, the Vice-Chairman, the Managing Director and the Secretary of the Board shall not exceed the term of their membership in the Board. They may be re-elected. The Board may, at any time, remove any or all of them from their positions, provided that such removal does not prejudice the right of the removed party to claim compensation if the removal is carried out without lawful cause or at an inappropriate time.

**Article (21): Board Meetings:**

- 1- The Board shall convene at the call of its Chairman, and the Board Chairman shall call for a meeting whenever any Board member so requests in writing to discuss one or more specific issues. The call shall be documented in the manner deemed appropriate by the Board.
- 2- Board meetings shall be held periodically and whenever needed, provided that the number of annual Board meetings shall not be less than (4), so that there is at least one meeting every three months.
- 3- The Board of Directors shall determine the location of its meetings, which may also be conducted through modern technological means.

**Article (22): Quorum of the Board Meetings:**

- 1- The Board meeting shall only be valid if attended by half of the members, whether in person or by proxy, provided that the number of attendees shall not be less than four (4) members.
- 2- If the requirements for the Board of Directors meeting are not met due to the number of its members being less than the minimum limit stipulated herein, the remaining members shall call the Ordinary General Assembly to be held within sixty days to elect the required number of members.

- 3- No Board member shall delegate someone else to attend the meeting. As an exception, a member may delegate another member to attend the meeting.
- 4- Resolutions of the Board shall be passed by the majority of the opinions of the members present or represented therein. In the event of a tie, the side with which the Chairman of the meeting votes shall prevail.
- 5- The Board of Directors may adopt resolutions on urgent matters by circulating them individually among all members, unless any member submits a written request for the Board to convene and deliberate on the matter. Such resolutions shall be deemed approved upon obtaining the majority vote of the Board members and shall be presented for review at the next scheduled Board meeting.
- 6- The Board of Directors' resolution shall take effect on the date of its issuance unless otherwise specified to commence at a later time or upon the satisfaction of specific conditions.

**Article (23): Board Deliberations:**

The deliberations and resolutions of the Board shall be recorded in minutes signed by the Chairman of the meeting, the attending Board members, and the Secretary. Such minutes shall be recorded in a special register signed by the Board Chairman and the Secretary.

Modern technological means may be used for signing, recording deliberations and resolutions, and documenting minutes.

**Article (24): Agreements, Contracts, Conflict of Interests and Company Competition:**

- 1- The Company, after obtaining the Insurance Authority's no-objection, may conclude an agreement for the management of technical services with one or more qualified insurance companies.
- 2- No Board member shall have any direct or indirect interest in the business and contracts concluded for the benefit of the Company except with permission from the Ordinary General Assembly or the Board of Directors, pursuant to a delegation of authority by the Assembly and in compliance with applicable provisions. A Board member shall notify the Board of his direct or indirect interest in the

business and contracts that are made for the Company's account. This notification shall be recorded in the minutes of the meeting.

- 3- This member shall not participate in voting on the resolution passed in this regard in the Board of Directors meetings and the Shareholders' Assemblies.
- 4- The Chairman shall inform the Ordinary General Assembly, when it convenes, of the businesses and contacts wherein a Board member has a direct or indirect interest. The notification shall be accompanied by a special report from the Company's external auditor.
- 5- Should a Board member fail to disclose his interest, the Company or any interested party may claim before the competent judicial authority to annul the contract or oblige the member to pay any profit or benefit that has accrued to him therefrom.
- 6- Responsibility for damages resulting from the business and contracts referred to in Paragraph (2) of this Article are assumed by the member who has the interest in the business or contract, as well as the members of the Board of Directors, if such business or contracts are performed in breach of the provisions of that paragraph or if it is proven that they are not fair, or involves a conflict of interests and detrimental to Shareholders.
- 7- Members of the Board of Directors opposing the resolution shall be exempted from responsibility if they explicitly prove their objection in the minutes of the meeting. Absence from the meeting in which the resolution is made shall not be a reason for relief from responsibility unless it is proven that the absent member does not know about the resolution or is unable to object thereto after being aware thereof.
- 8- No Board member may participate in any business that may compete with the Company, or to compete with the Company in one of the branches of the activity it is engaged in. Otherwise, the Company may claim appropriate compensation from such member before the competent judicial authority, unless he obtains a prior permission from the Ordinary General Assembly - renewed every year - that allows him to do so.

## Chapter 5:

### Shareholders' Assemblies:

#### Article (25): Attending Assemblies:

A properly constituted General Assembly shall represent all Shareholders. It shall be held in the city wherein the headquarters of the Company is located. Each Shareholder, regardless of the number of his shares, may attend the Shareholders' General Assembly. He may delegate another person other than the Board members or the Company's employees to attend the General Assembly on his behalf. The Shareholders' General Assembly may be held and the Shareholder may participate in its deliberations and vote on its resolutions by means of modern technology as per the controls established by the competent authority.

#### Article (26): The Constituent Assembly:

The Founders shall convene a Constituent Assembly within forty-five (45) days from the closing date of the subscription to shares, inviting all subscribers. Each subscriber, irrespective of the number of shares he holds, shall be entitled to attend the Constituent Assembly. The meeting of the Constituent Assembly shall be valid only if attended by subscribers representing at least (half) of the Company's capital. If this quorum is not met, a call shall be extended for a second meeting to be convened no earlier than fifteen (15) days from the date of the call. However, the second meeting may, if so stated in the original call, be held after the lapse of one hour from the time fixed for the first meeting. The call to hold the first meeting includes proof of the possibility of holding such meeting. In all cases, the second meeting shall be deemed valid regardless of the number of shares represented therein.

#### Article (27): Powers of the Constituent Assembly:

The Constituent Assembly shall be competent to address the following matters:

- 1- Ensuring the subscription for all Company's shares, adherence to the minimum capital requirement, and the payment of the applicable share value.
- 2- Adopting the final text of the Company's Articles of Association. However, the Assembly shall not make any material changes to

the Articles of Association without the consent of all subscribers represented thereat.

- 3- Appointing the members of the Company's first Board of Directors for a period not exceeding three (3) years, unless they have been appointed under the Company's Articles of Association or Memorandum of Association.
- 4- Appointing the Company's auditors, unless they have been appointed under the Company's Articles of Association, and determining their fees.
- 5- Deliberating on and adopting the Founders' report on the formalities and expenses incurred for the incorporation of the Company.

**Article (28): Competencies of the Ordinary General Assembly:**

Notwithstanding the matters of the Extraordinary General Assembly, the Ordinary General Assembly shall be concerned with all Company-related matters, and it shall convene at least once a year during the (6) six months following the end of the Company's fiscal year. Other ordinary general assemblies may be called to meet, as needed. The competencies of the Ordinary General Assembly shall include the formation of the Audit Committee and the determination of its remuneration.

**Article (29): Competencies of the Extraordinary General Assembly:**

The Extraordinary General Assembly shall be deemed liable for amending the Company's Articles of Association, notwithstanding the provisions that the Extraordinary General Assembly are legally prohibited from amendment. Additionally, it may pass resolutions on matters within the functions of the Ordinary General Assembly, under the same terms and conditions prescribed for the Ordinary General Assembly.

**Article (30): General Assembly Agenda**

- 1- When preparing the General Assembly's agenda, the Board shall take into consideration the topics that the Shareholders wish to list. One or more Shareholders holding at least ten percent (10%) of the Company's voting shares shall have the right to propose the addition of specific topics to the agenda during its preparation. This percentage may be adjusted by the competent authority.



- 2- The Board of Directors shall ensure that each topic on the agenda is listed as a separate item and shall avoid grouping fundamentally distinct matters under a single item. Furthermore, contracts or transactions in which any Board member has a direct or indirect interest shall not be aggregated under a single item for voting purposes.
- 3- Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Board members and the auditor. The Board of Directors or the auditor shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage.

**Article (31): Calling Assemblies:**

- 1- General or Special Shareholders' Assemblies shall be convened at the call of the Board of Directors. The Board of Directors shall call the Ordinary General Assembly to convene within thirty (30) days from the date of a request submitted by the auditor, the Audit Committee, or one or more Shareholders holding at least ten percent (10%) of the Company's voting shares. The auditor may call the Ordinary General Assembly for a meeting if the Board fails to call the Assembly to convene within thirty (30) days from the date of the auditor's request.
- 2- The Capital Market Authority may authorize the calling of an Ordinary General Assembly Meeting in the following cases:
  - a) If the specified period for convening the Assembly within six months after the end of the Company's fiscal year passes without it being convened.
  - b) If the number of Board members falls below the minimum required for the General Assembly to convene.
  - c) If there have been found any violations to the provisions of Companies law or to the Company's Memorandum of Association or any mal-management.
  - d) If the Board of Directors fails to call the General Assembly to convene within thirty (30) days of receiving a request from the auditor, the Audit Committee, or Shareholders collectively holding at least ten percent (10%) of the Company's voting shares.

- 3- This call and the agenda shall be published at least twenty-one (21) days prior to the scheduled meeting date. The call shall be published on both the Market's electronic portal and the Company's website, and a copy of the call and agenda shall be sent to the Commercial Register. A copy shall also be forwarded to the Capital Market Authority. Notwithstanding the above, it shall be sufficient to send the invitation within the specified period to all Shareholders via registered mail to their addresses recorded in the Shareholder Register, or to publish the call through electronic means. A copy of the call and the agenda shall be sent to the Capital Market Authority during the period specified for publication.

**Article (32): Register of Assembly Attendance:**

Shareholders who wish to attend the General or Special Assembly shall register their names at the Company's headquarters before the time specified for the Assembly, or through the method specified by the Company in the call or on its website. The Company's General Assembly may be convened in any city within the Kingdom or through modern technological means.

**Article (33): Quorum of the Ordinary General Assembly Meeting:**

- 1- The Ordinary General Assembly meeting shall only be valid if attended by a number of Shareholders representing at least (quarter) of the Company's voting shares.
- 2- If the quorum required for holding a meeting of the Ordinary General Assembly in accordance with Paragraph (1) of this Article is not met, a call shall be sent for a second meeting to be held within the thirty days following the date set for the preceding meeting. This call shall be published in the manner described in Article (30) of these Articles. However, the second meeting may, if so stated in the original call, be held after the lapse of one hour from the time fixed for the first meeting, provided that the call to hold the first meeting includes an announcement of the possibility of holding this meeting. In all cases, the second meeting shall be deemed valid regardless of the number of shares represented therein.

**Article (34): Quorum of the Extraordinary General Assembly Meeting:**

- 1- The Extraordinary General Assembly meeting shall only be valid if attended by a number of Shareholders representing at least (half) of the Company's voting shares.
- 2- If the quorum required for the Extraordinary General Assembly Meeting to be held is not met, under Paragraph (1) of this Article, a call shall be extended for a second meeting to be held under the same conditions stipulated in Article (30) of these Articles. However, the second meeting may be held an hour after the end of the period specified for convening the first meeting, provided that the call to hold the first meeting includes an announcement of the possibility of holding this meeting. In all cases, the second meeting shall be valid if attended by a number of Shareholders representing at least (quarter) of the Company's voting shares. 3. If the required quorum is not met in the second meeting, a call shall be made for a third meeting to be held under the same conditions stipulated in Article (30) hereof. This third meeting shall be valid regardless of the number of voting shares represented therein, subject to the approval of the Capital Market Authority.

**Article (35): Voting at Assemblies:**

Votes at the meetings of the Ordinary and Extraordinary General Assemblies shall be counted on one-share-one vote basis. Cumulative voting shall be used in electing the Board of Directors, so that the right to vote per share shall not be used more than once. The Board members shall not participate in voting on the resolutions of the Assembly concerning business or contracts in which they have a direct or indirect interest or which entail a conflict of interest.

**Article (36): Resolutions of Assemblies:**

Resolutions in the Ordinary General Assembly shall be made by a majority of the voting rights represented at the meeting. Resolutions in the Extraordinary General Assembly shall be made by a two-thirds majority of the voting rights represented at the meeting, unless the resolutions concerns the increase or decrease of capital, extension of the Company's duration, dissolution of the Company before the period specified in its Articles of Association, its merger with another company,

or its division into two or more companies, in which case the resolution shall be valid only if approved by three-quarters of the voting rights represented at the meeting.

**Article (37): Deliberations at Assemblies:**

Each Shareholder shall have the right to discuss the items listed in the Assembly's agenda and to direct questions in respect thereof to the Board members and the auditor. Any provision in the Company's Articles of Association denying such right shall be null and void. The Board of Directors or the auditor shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he may refer the issue to the Assembly and its resolution in this regard shall be final and binding.

**Article (38): Chairing the Assemblies and the Preparation of the Minutes:**

- 1- The General Assembly shall be presided over by the Chairman or, in his absence, by the Vice Chairman or, in his absence, by any Board member designated by the Board of Directors. If this is not possible, the General Assembly shall be presided over by an individual appointed through a vote by the Shareholders, whether from the Board members or others.
- 2- During the General Assembly meeting, minutes shall be prepared, containing the count of attending or represented Shareholders, the number of shares they hold, either in their name or through proxy, the allocated votes, the resolutions passed, the votes in favor or against, and a comprehensive summary of the deliberations held during the meeting. These minutes shall be diligently recorded after each meeting in a dedicated register, signed by the Chairman of the Assembly, its secretary, and the vote collector.

**Chapter 6:****Committees Stemmed from the Board of Directors****Article (39): Board Committees:**

The Board of Directors shall establish committees in accordance with the applicable laws and regulations. By resolution of the Ordinary General Assembly, an Audit Committee shall be formed, consisting of members who are not executive members of the Board, whether Shareholders or non-Shareholders, with the number of members not being fewer than three and not exceeding five. The resolution shall define the committee's duties, functions, and the remuneration of its members.

A quorum for a meeting of the Audit Committee requires the presence of a majority of its members. Resolutions shall be made by a majority of the votes cast by those present, and in the event of a tie, the Chairman's vote shall prevail.

The Audit Committee shall be responsible for overseeing the Company's operations. In this regard, it shall have the right to access the Company's records and documents and request any clarifications or information from the Board members or the executive management. The Committee may also request the Board of Directors to convene a General Assembly if the Board obstructs the Committee's work or if the Company is exposed to significant harm or losses.

The Audit Committee shall review the company's financial statements, reports, and the auditor's notes, providing its comments, if any. The Committee shall also prepare a report expressing its opinion on the adequacy of the Company's internal control system, as well as on any other matters within its purview. The Board of Directors shall deposit sufficient copies of this report at the Company's headquarters at least ten days prior to the General Assembly meeting, so that any Shareholder who wishes may obtain a copy. The report shall be read out during the General Assembly meeting.

## Chapter 7:

### Auditor:

#### Article (40): Appointment of the Auditor:

- 1- The General Assembly shall appoint one or more auditors from among those licensed to practice in the Kingdom, specifying their remuneration, term of office, and scope of duties. The General Assembly may reappoint them, provided that the total duration of their appointment does not exceed the period stipulated by the relevant legal provisions.
- 2- The General Assembly may dismiss the auditor, without prejudice to the auditor's right to compensation for any damages incurred, if applicable. The Director or Board Chairman shall inform the competent authority of the dismissal resolution and its reasons within five (5) days from the date of the resolution.
- 3- The auditor may resign from its duties by providing written notice to the Company. Its mandate shall terminate from the date of submission or on a later date specified in the notice, without prejudice to the Company's right to seek compensation for any resulting damages, if applicable. Upon submission of the resignation notice, the resigning auditor shall provide the Company and the competent authority with a statement outlining the reasons for its resignation. The Board of Directors shall convene the General Assembly to deliberate on the reasons for the resignation, appoint another auditor.

#### Article (41): Powers of the Auditor:

The auditor shall, at any time, have the right to view the Company's books, records and other documents, and he may request the data and clarifications that they deem necessary to obtain. The auditor may also verify the Company's assets, liabilities, and other matters that fall within the scope of his work. The Board of Directors shall enable the auditor to perform his duty, and if the auditor finds it difficult in this regard, this shall be proven in a report submitted to the Board of Directors. Should the Board does not facilitate the work for the auditor, he shall request the Board of Directors to call the Ordinary General Assembly to consider the matter. If the Board of Directors fails to issue this call within thirty (30) days from the date of the auditor's request, the auditor may do so.

**Article (42): Obligations of the Auditor:**

- 1- The Company's auditor shall be independent in accordance with the professional standards recognized in the Kingdom.
- 2- The auditor may not combine his role with the establishment, management, or membership of the Board of Directors of the Company whose accounts he audits. The auditor shall not be a partner, employee, or relative of any of the Company's founders, directors, or Board members. Furthermore, the auditor shall not purchase or sell shares in the company whose accounts he audits during the auditing period.
- 3- The Company's auditor shall not perform any technical, administrative, or consulting services for the company whose accounts he audits, or for its benefit, except as otherwise permitted by applicable regulations.
- 4- The auditor shall present a report to the Shareholders or the General Assembly at its annual meeting, or to the Shareholders, on the Company's financial statements, prepared in accordance with the auditing standards recognized in the Kingdom. The report shall include the management's stance on facilitating the auditor's access to the requested data and notes, any identified violations of the law, the Company's Memorandum of Association, or its Articles of Association within the auditor's scope of responsibility, and the auditor's opinion on the fairness of the Company's financial statements. The auditor shall read out his report or a summary thereof at the annual General Assembly Meeting, or submit the report by circulation, as applicable, in accordance with the provisions of the law.
- 5- The auditors shall include in their annual report to the General Assembly— in addition to the information required by the Companies Law— their opinion on whether the Company's financial statements accurately reflect its financial position as of the balance sheet date and the results of its operations for the fiscal year then ended. Furthermore, the auditors shall confirm whether the preparation, presentation, and audit of these financial statements are in compliance with the applicable accounting standards in the Kingdom.

- 6- The financial statements and the auditors' report thereon shall be published within three months following the end of the Company's fiscal year.
- 7- The auditor shall not disclose any confidential information regarding the Company obtained in the course of his duties to the Shareholders or third parties, other than in the General Assembly; otherwise, he may be under penalty of being liable for compensation, in addition to the possibility of his dismissal.
- 8- The auditor shall be held accountable for the contents of his report and for any damages suffered by the Company, Shareholders, or third parties as a result of errors in the performance of his duties. In the event that the Company has more than one auditor, they shall be jointly liable, unless it is proven that an auditor did not participate in the error giving rise to such liability.

## **Chapter 8:**

### **Company Accounts and Dividend Distribution:**

#### **Article (43): The Fiscal Year:**

The Company's fiscal year commences on 1 January and ends on 31 December of the same year, provided that the first fiscal year commences from the date of the ministerial resolution announcing the incorporation of the Company and ends on 31 December of the following year.

#### **Article (44): Financial Documents:**

- 1- At the end of each fiscal year, the Board of Directors shall prepare the financial statements, which shall include a statement of the financial position of insurance operations and Shareholders, a statement of surplus (deficit) of insurance operations, a statement of Shareholders' income, a statement of Shareholders' equity, a statement of cash flows of insurance operations and a statement of Shareholders' cash flows, as well as a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board of Directors for the distribution of net profits for that fiscal year. The Board shall place such documents at the disposal of the auditors at least forty-five (45) days prior to the date set for convening the General Assembly.



- 2- The Board Chairman, the CEO and the CFO shall sign the aforesaid documents mentioned in Paragraph (1), and file a copy thereof in the Company's headquarters to be at the disposal of the Shareholders at least twenty-one (21) days prior to the date set for convening the General Assembly.
- 3- The Board Chairman shall provide the Shareholders with the Company's financial statements, the Board of Directors' report (following its signature), and the auditors' report, unless these have been published through any modern technological means, at least twenty-one (21) days prior to the scheduled date of the General Assembly meeting. Additionally, he shall ensure these documents are filed in accordance with the relevant regulations.

**Article (45): Insurance Operations Accounts:**

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details:

First: Insurance Operations Accounts:

- 1- An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions.
- 2- An independent account shall be dedicated to compensation incurred by the Company.
- 3- At the close of each fiscal year, the total surplus shall be calculated as the difference between the aggregate premiums and claims, less marketing, administrative, and operational expenses, along with the required technical provisions in accordance with the applicable regulatory guidelines.
- 4- Net surplus shall be determined as follows:  
The policyholders' returns on investment shall be either added to or subtracted from the total surplus referred to in Paragraph (3) above, after calculating the insured persons' earnings and deducting their payable expenses.
- 5- The distribution of the net surplus shall be effected by allocating ten percent (10%) directly to the insured persons or by applying it as a reduction to their premiums for the subsequent year. The remaining ninety percent (90%) shall be transferred to the Shareholders' income accounts.

**Second: Shareholders' Income Statement:**

- 1- Shareholders' profits from the return on investment of Shareholders' funds shall be established in accordance with the guidelines set forth by the Board of Directors.
- 2- The Shareholders' share of the net surplus shall be determined in accordance with the provisions outlined in Paragraph (5) of Clause (First) of this Article.

**Article (46): Zakat and Reserve:**

The Company shall:

- 1- Set aside Zakat and the legally prescribed income tax.
- 2- Set aside (20%) of the net profits to form a statutory reserve. The Ordinary General Assembly may discontinue this deduction when the total reserve reaches 100% of the paid-up capital.
- 3- The Ordinary General Assembly may set aside a percentage of the annual net profits to form additional reserves to the extent required to serve the Company's best interest or to distribute consistent profits to Shareholders, whenever feasible.

**Article (47): Entitlement of Profits:**

The Shareholder shall be entitled to his share of the profits by virtue of the resolution of the General Assembly passed in this regard. The resolution shall show the entitlement date and distribution date. The entitlement to dividends shall be to the Shareholders registered in the Shareholders' records at the end of the day specified for entitlement. The Company shall notify the Capital Market Authority without delay of any resolutions to distribute profits or to recommend the same, and pays the profits to be distributed to Shareholders in the venue and on the dates determined by the Board of Directors, by virtue of the instructions issued by the competent authority, taking into consideration the Insurance Authority's prior written approval.

**Article (48): Company losses:**

If the losses of the Company amount to (half) of the issued capital, the Board of Directors shall, within (sixty) days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within (one hundred and eighty) days from said date, call for

an Extraordinary General Assembly meeting to consider the continuation of the Company by taking measures necessary to resolve such losses or the dissolution of the Company.

## **Chapter 9:**

### **Disputes:**

#### **Article (49): Company's Liability**

The Company shall comply with all acts and actions carried out by the Board of Directors, even if they are beyond its functions, unless the stakeholder has bad faith or knows that such actions are beyond the Board's functions.

#### **Article (50): Liability of Board Members:**

- 1- The Board members shall bear joint and several liability for compensating the Company, its Shareholders, or third parties for any harm arising from their errors, negligence, or failure in the discharge of their duties, or from their breach of the Cooperative Insurance Companies Control Law, its Implementing Regulations, other applicable laws, regulations, and directives, as well as the Companies Law and the Company's Articles of Association. Any provision stipulating otherwise shall be considered null and void. In addition, all Board members shall be held liable if the error arises from a resolution issued unanimously. As for the resolutions passed by the majority of opinions, the opposing members shall not be questioned thereabout if they express their objection in the minutes of the meeting. Absence from the meeting during which a resolution is adopted shall not absolve a member from liability unless it is established that the absent member was unaware of the resolution or was unable to register an objection upon becoming aware thereof.
- 2- The Company may initiate a liability claim against the Board members for violations of the Cooperative Insurance Companies Control Law, its Implementing Regulations, and other relevant laws, regulations, and instructions, or for errors, negligence, or failure in the performance of their duties that result in damage to the Company. The General Assembly shall determine whether to proceed with such a claim and appoint a representative to act on the Company's behalf in its pursuit. If the Company is in the process of liquidation, the liquidator shall be

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responsible for filing the claim. If liquidation proceedings are initiated against the Company in accordance with the Bankruptcy Law, the claim shall be filed by the person legally authorized to represent the Company.

- 3- The Ordinary General Assembly approval to absolve the Board members from liability shall not be precluded from filing a liability claim.
- 4- A partner or Shareholder, or multiple partners or Shareholders representing at least five percent (5%) of the Company's Share Capital, may file a liability claim on behalf of the Company if the Company fails to do so, provided that the claim is primarily aimed at safeguarding the Company's interests, is based on legitimate grounds, and the claimant acts in good faith while being Shareholder in the Company at the time the claim is filed.
- 5- To initiate the claim referenced in Paragraph (4) above, the Board members shall be notified of the intent to file the claim at least fourteen (14) days in advance of the filing date.
- 6- A Shareholder may initiate a private right of claim against the Board members if the wrongful act attributed thereto results in a damage personally affecting that Shareholder.
- 7- Upon the request of a Shareholder, the competent judicial authority may order the Company to bear the costs associated with filing a liability claim, regardless of the outcome, provided that the claim is filed in good faith and is in the Company's best interests.
- 8- Except for cases of forgery and fraud, a liability claim shall not be heard upon the lapse of five (5) years from the end of the fiscal year in which the act resulting in damage was committed, or upon the lapse of three (3) years from the end of the concerned Board member's term of service, whichever is later.
- 9- A member of the Company's Board of Directors or its Director shall be deemed to have acted in good faith when making or voting on a resolution if the following conditions are met:
  - a) He has no personal interest in the matter at hand.
  - b) He has adequately understood and considered the matter in question, to the extent reasonable under the circumstances.

- c) He genuinely and rationally believed that the resolution is in the best interests of the Company.

The burden of proof to the contrary lies with the claimant. For the purposes of this Article, "resolution" refers to any act or omission concerning the Company's affairs.

## **Chapter 10:**

### **Dissolution of the Company:**

#### **Article (51): Dissolution of the Company:**

- 1- The Company, upon termination, shall be considered under liquidation. The legal personality of the Company shall continue until the completion of the liquidation.
- 2- The resolution to initiate voluntary liquidation shall be made by the Extraordinary General Assembly.
- 3- The liquidation resolution shall include the appointment of the liquidator, the determination of his powers and fees, the restrictions imposed on his powers, and the period of time necessary for the liquidation. The period of voluntary liquidation shall not exceed three (3) years, and it shall not be extended for a longer period except by court order.
- 4- The authority of the Board of Directors of the Company terminates upon its dissolution; however, the Board members shall continue to manage the Company and, with respect to third parties, shall be regarded as liquidators until a liquidator is appointed. The Company's general assemblies shall remain in existence throughout the liquidation period, with their powers limited to those that do not conflict with the powers of the liquidator.

**Chapter 11:****Final Provisions:****Article (52): Law Applicable to the Company**

The Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law, and all other applicable laws, rules and regulations shall apply to all other matters not specifically provided for herein.

**Article (53): Publishing**

These Articles shall be filed and published in accordance with the Companies Law.

بسم الله الرحمن الرحيم  
**عقد تأسيس شركة بروج للتأمين التعاوني**  
**شركة مساهمة سعوديه**

بمعون الله وتوفيقه أبرم هذا العقد بين كل من:

١. شركة الخليج للتأمين ش.م.ك (شركة مساهمة كويتيه) المسجله في السجل التجاري بدولة الكويت برقم (٩٣٩٠) وتاريخ ١٩٦٢/٤/١٥ وعنوانها شارع أحمد الجابر - شرق، ص.ب ١٠٤٠ الصفاة ١٣٠١١، دولة الكويت. (طرف أول).
٢. شركة يوسف محمد عبد الوهاب ناغي (ذات مسئوليه محدوده)، المسجله في السجل التجاري بمدينة جده تحت رقم (٤٠٣٠١٤١٤٥٠) وتاريخ ١٤٢٣/١١/١٧ وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل الغرفه التجاريه بجده بالعدد ١٩ جلد ٩/ش/ع وتاريخ ١٤٢٣/١١/٢، وعنوانها: ص.ب (٧٠٤) جده (٢١٤٢١) شارع الأمير محمد بن عبد العزيز، جده، المملكه العربيه السعوديه. (طرف ثاني).
٣. شركة الخليج الطبيه (ذات مسئوليه محدوده) المسجله في السجل التجاري بمدينة جده تحت رقم (٤٠٣٠٠٤٥٣٩٣) وتاريخ ١٤٠٥/١/١١ وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل جده بالعدد (١١١) والجلد رقم ٢/ط/ع وتاريخ ١٤٠٥/١/١١، وعنوانها ص.ب (٢٠٣٤٥) جده (٢١٤٥٥)، شارع علي بن أبي طالب، الشرفيه، جده، المملكه العربيه السعوديه. (طرف ثالث).
٤. شركة مجموعه البترجي الصناعيه المحدوده المسجله في السجل التجاري بمدينة جده تحت رقم (٤٠٣٠١٣١٤٢٣) وتاريخ ١٤٢١/٦/٢٢ وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل جده بالعدد رقم ١٤ جلد ١/ش/ع



وتاريخ ١٤٢١/٢/١٨ وعنوانها ص.ب (١٠٦٦٧) جده (٢١٤٤٣) مبنى محمد بترجي، شارع الستين بجوار الدفاع المدني، الشرفيه، جده المملكة العربية السعودية. (طرف رابع).

٥. الشركة الخليجيه المتحده للاستثمار ش.م.ب (شركه مساهمه بحريه) المسجله في السجل التجاري بمملكة البحرين برقم (٢٤٣٧٧) وتاريخ ١٩٩١/٢/١٨، وعنوانها ص.ب ١٠١٧٧ مملكة البحرين، برج المؤيد، طابق ٣٢، ضاحية السيف، وسط المنامة، مملكة البحرين.

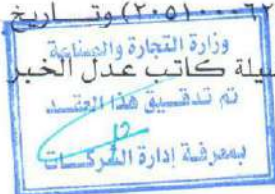
(طرف خامس).

٦. مؤسسة سقالة التجاريه المسجله في السجل التجاري بمدينة جده تحت رقم (٤٠٣٠٠٣٤١٢٩) وتاريخ ١٤٠٢/٦/، لصاحبها ياسر يوسف ناغي، سجل مدني رقم (١٠٠١٧٣٣٤٢٥) وتاريخ ١٤٠١/٧/٢١، صادر من جده، ومهنته رجل أعمال، وتاريخ ميلاده في ١٤/٤/١٣٨٢، وعنوانه ص.ب (١٩٤٣٥) جده (٢١٤٣٥)، المملكة العربية السعودية. (طرف سادس).

٧. شركة أنوال المتحده للتجاره (ذات مسئوليه محدوده) المسجله في السجل التجاري بمدينة الرياض تحت رقم (١٠١٠١٦٩٢٥٦) وتاريخ ١٤٢٢/٧/١ وقد أثبت عقد تأسيسها لدى كاتب عدل الرياض بالعدد رقم (٥٤٢٧) وتاريخ ١٤٢٢/٣/٢٧، كما أثبت آخر عقد على عقد التأسيس لدى فضيلة كاتب عدل الرياض بالعدد رقم (٢٩) جلد (١٤٢) بتاريخ ١٤٢٤/١١/٢١ وعنوانها ص.ب ٢٩٣٠٣ الرياض ١١٤٥٧، العقاريه الثالثه، مكتب ٦٢٩ الدور السادس، العليا، الرياض، المملكة العربية السعودية.

(طرف سابع).

٨. شركة صالح وعبد العزيز أبا حسين المحدوده، المسجله في السجل التجاري بمدينة الخبر تحت رقم (٢٠٥) وتاريخ ١٣٧٨/٩/١٦، وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل الخبر





التأسيس لدى فضيلة كاتب عدل الغرفه التجاريه الصناعيه بالمنطقه الشرقيه بالعدد رقم (٦٢) جلد (١٢) وتاريخ ١٥/٧/١٤٢٧، وعنوانها ص.ب ٢٠٩ الخبر ٣١٩٥٢، تقاطع ٧، شارع الملك عبد العزيز، الخبر المملكه العربيه السعوديه. (طرف ثامن).

٩. شركة الرويتع للمقاولات المحدوده المسجله في السجل التجاري بمدينة الرياض تحت رقم (١٠١٠١٣٩٩٢٢) وتاريخ ١٠/٨/١٤١٦، وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل الرياض بالعدد رقم (٢٥٣٩) جلد رقم (٢٨) وتاريخ ١٤١٦/٦/٨، وعنوانها ص.ب ١٤٦١ الرياض ١١٤٩٢ المملكه العربيه السعوديه. (طرف تاسع).

١٠. السيد/ طارق إبراهيم المشرف، سعودي الجنسيه، بموجب السجل المدني رقم ١٠٠٠٨٠٧٩٧٢، وتاريخ ٥/٤/١٤١٥، ومهنته متسبب، وتاريخ ميلاده ١٣٩٩ هـ، وعنوانه ص.ب ٨٩٠٨ الرياض ١١٤٩٢، المملكه العربيه السعوديه. (طرف عاشر).

١١. السيد/ عمر محمد عمر جمجوم، سعودي الجنسيه بموجب السجل المدني رقم ١٠٠٩٢٣٢٦٦٩، ومهنته موظف أهلي، وتاريخ ميلاده ١٣٩٠ هـ، وعنوانه ص.ب ٧٨٢٨ جده ٢١٤٧٢، المملكه العربيه السعوديه (طرف حادي عشر).

١٢. السيد / مسلم بن علي بن حسين مسلم، سعودي الجنسيه بموجب السجل المدني رقم ١٠٥٩٦٩٥٦٠٩، ومهنته تاجر، وتاريخ ميلاده ١٣٧٦/٣/٥ وعنوانه: ص.ب ٧٢٢٦ جده ٢١٤٦٢، المملكه العربيه السعوديه. (طرف ثاني عشر).

١٣. السيد/ محمد عبد الله صالح المهنا، سعودي الجنسيه بموجب السجل المدني رقم ١٠٠٧٤٢٨٣٦٨، ومهنته رجل أعمال، وتاريخ ميلاده ١٣٧٩ هـ، وعنوانه: ص.ب ٩٢٩٦٨ الرياض ١١٦٦٣، المملكه العربيه السعوديه.



١٤. مجموعة السهو للتجارة والمقاولات (ذات مسئولية محدودة)، المسجلة في السجل التجاري بمدينة الرياض تحت رقم ١٠١٠٠٨٢٢٤٦، وتاريخ ١٤١١/٦/٥، وقد أثبت عقد تأسيسها لدى فضيلة كاتب عدل الرياض بالعدد رقم ٨٣٨ جلد رقم ١١ وتاريخ ١٤١١/٦/٢ (كما أثبت آخر تعديل على عقد التأسيس لدى فضيلة كاتب عدل الرياض بالعدد رقم ٤٢١٠ جلد ٤٤ وتاريخ ١٤٢١)، وعنوانها ص.ب ٢٧٤٧٨ الرياض ١١٤١٧، شارع فاطمة الزهراء، خلف حديقة الحيوانات، الملز الرياض، المملكة العربية السعودية. (طرف رابع عشر).

١٥. السيدة/ ساره محمد حسين مسلم، سعودية الجنسية بموجب السجل المدني رقم ١٠٠١٨٨٤٥٩٠ وتاريخ ١٤٢٧/١١/٧، ومهنتها ربة بيت، وتاريخ ميلادها ١٣٨٩/١٢/٤، وعنوانها ص.ب ٧٠٤٣ جدة ٢١٤٦٢، المملكة العربية السعودية. (طرف خامس عشر).

وإتفق الموقعون على هذا العقد (ويشار لهم فيما بعد بـ "المؤسسون") وهم جميعاً بكامل الأهلية المعتبره شرعاً ونظاماً على تكوين شركه مساهمه سعوديه بموجب نظام مراقبة شركات التأمين التعاوني الصادر بالمرسوم الملكي الكريم رقم م/٣٢ وتاريخ ١٤٢٤/٦/٢هـ ونظام الشركات الصادر بالمرسوم الملكي الكريم رقم م/٦ وتاريخ ١٣٨٥/٣/٢٢هـ وتعديلاته ووفقاً للأحكام والشروط التاليه:

#### المادة (١): اسم الشركه:

"شركة بروج للتأمين التعاوني"، وهي شركه مساهمه سعوديه (ويشار لها فيما بعد بـ "الشركه").



**المادة (٢): غرض الشركة:**

غرض الشركة هو القيام - وفقاً لأحكام نظام شركات التأمين التعاوني ولائحته التنفيذية والأنظمة والقواعد السارية في المملكة العربية السعودية - بمزاولة أعمال التأمين التعاوني وكل ما يتعلق بهذه الأعمال من إعادة تأمين أو توكيلات أو تمثيل أو مراسله أو وساطة، وللشركة أن تقوم بجميع الأعمال التي يلزم القيام بها لتحقيق أغراضها سواء في مجال التأمين أو استثمار أموالها وأن تقوم بتملك وتحريك الأموال الثابتة والنقدية أو بيعها أو استبدالها أو تأجيرها بواسطة مباشرة أو بواسطة شركات تؤسسها أو تشتريها أو بالإشتراك مع جهات أخرى.

ويجوز للشركة أن تمتلك أو تكون لها مصلحة أو تشترك بأي وجه من الوجوه مع الهيئات التي تزاوّل أعمالاً شبيهة بأعمالها أو الأعمال المالية أو التي تعاونها على تحقيق غرضها أو أن تدمجها فيها أو تشتريها، وتباشر الشركة جميع الأعمال المذكورة في هذه المادة سواء داخل المملكة أو خارجها.

**المادة (٣): مركز الشركة:**

يقع المركز الرئيسي للشركة في مدينة الرياض ويجوز بقرار من الجمعية العامة غير العادية نقل المركز الرئيسي إلى أي مدينة أخرى في المملكة العربية السعودية بموافقة مؤسسة النقد العربي السعودي، ويجوز لمجلس الإدارة أن يفتح للشركة فروعاً أو مكاتب أو توكيلات داخل المملكة العربية السعودية أو خارجها بموافقة مؤسسة النقد.

**المادة (٤): مدة الشركة:**

مدة الشركة (٩٩) تسعة وتسعون سنة ميلادية ابتداء من تاريخ صدور قرار وزير التجارة والصناعة بإعلان تأسيسها، ويجوز إطالة مدة الشركة بقرار تصدره الجمعية العامة غير العادية قبل إنتهاء مدتها بسنة واحدة وعلى الأقل للصناعة



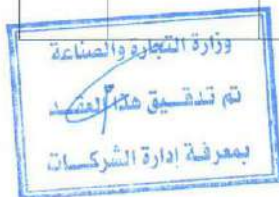
**المادة (٥): رأسمال الشركة:**

رأس مال الشركة (١٣٠,٠٠٠,٠٠٠) مائة وثلاثون مليون ريال سعودي، مقسم إلى (١٣,٠٠٠,٠٠٠) ثلاثة عشر مليون سهم متساوية القيمة، قيمة كل سهم منها (١٠) عشرة ريالات سعوديه.

**المادة (٦): المساهمة في رأس المال:**

إكتتب المؤسسون بما مجموعه (٧٨,٠٠٠,٠٠٠) سبعة ملايين وثمانمائة ألف سهمًا، بقيمة (٧٨,٠٠٠,٠٠٠) ثمانية وسبعون مليون ريال سعودي، وسددوا قيمتها نقداً، وهي تمثل (٦٠٪) من كامل أسهم رأس مال الشركة، وقد أودع هذا المبلغ في حساب الشركة لدى بنك الرياض، بموجب الشهادة الصادرة من البنك بهذا الخصوص، وسوف تطرح الأسهم الباقية وعددها (٥,٢٠٠,٠٠٠) خمسة ملايين ومائتي ألف سهمًا بقيمة (٥٢,٠٠٠,٠٠٠) إثنين وخمسين مليون ريال للإكتتاب العام، وبعد الإكتتاب مباشرة سوف تكتمل أسهم الشركة لتصبح (١٣,٠٠٠,٠٠٠) ثلاثة عشر مليون سهمًا، وقد إكتتب المؤسسون على النحو التالي:

| م | الإسم                                                 | القيمة<br>الاسمية<br>للسهم (ريال) | عدد الأسهم | إجمالي قيمة<br>الأسهم (ريال) | النسبة |
|---|-------------------------------------------------------|-----------------------------------|------------|------------------------------|--------|
| ١ | شركة الخليج للتأمين<br>ش.م.ك. (الكويت)                | ١٠                                | ٢,٩٢٥,٠٠٠  | ٢٩,٢٥٠,٠٠٠                   | ٢٢,٥٠٪ |
| ٢ | شركة يوسف محمد عبدالوهاب<br>ناغي (ذات مسئولية محدوده) | ١٠                                | ٦٥٠,٠٠٠    | ٦,٥٠٠,٠٠٠                    | ٥٪     |
| ٣ | شركة الخليج الطبيه<br>(ذات مسئولية محدوده)            | ١٠                                | ٦٥٠,٠٠٠    | ٦,٥٠٠,٠٠٠                    | ٥٪     |





|    |                                                      |    |           |            |      |
|----|------------------------------------------------------|----|-----------|------------|------|
| ٤  | شركة مجموعة البترجي الصناعي المحدودة                 | ١٠ | ٦٥٠,٠٠٠   | ٦,٥٠٠,٠٠٠  | %٥   |
| ٥  | الشركة الخليجية المتحدة للإستثمار ش.م.ب.(البحرين)    | ١٠ | ٥٢٠,٠٠٠   | ٥,٢٠٠,٠٠٠  | %٤   |
| ٦  | مؤسسة سقالة التجارية (صاحبها ياسر يوسف ناغي)         | ١٠ | ٣٩٠,٠٠٠   | ٣,٩٠٠,٠٠٠  | %٣   |
| ٧  | شركة أنوال المتحدة للتجارة (ذات مسئولية محدودة)      | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ٨  | شركة صالح وعبد العزيز أباحسين المحدودة               | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ٩  | شركة الرويتع للمقاولات المحدودة                      | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ١٠ | طارق إبراهيم المشرف (متسبب)                          | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ١١ | عمر محمد عمر جمجوم (موظف أهلي)                       | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ١٢ | مسلم بن علي بن حسين مسلم (تاجر)                      | ١٠ | ٢٦٠,٠٠٠   | ٢,٦٠٠,٠٠٠  | %٢   |
| ١٣ | محمد عبدالله المهنا (رجل أعمال)                      | ١٠ | ١٩٥,٠٠٠   | ١,٩٥٠,٠٠٠  | %١,٥ |
| ١٤ | مجموعة السهو للتجارة والمقاولات (ذات مسئولية محدودة) | ١٠ | ١٣٠,٠٠٠   | ١,٣٠٠,٠٠٠  | %١   |
| ١٥ | ساره محمد حسين مسلم (ريعية)                          | ١٠ | ١٣٠,٠٠٠   | ١,٣٠٠,٠٠٠  | %١   |
|    | المجموع                                              | ١٠ | ٧,٨٠٠,٠٠٠ | ٧٨,٠٠٠,٠٠٠ | %٦٠  |

ويتعهد المؤسسون بطرح أسهم الإكتتاب العام خلال ثلاثين يوماً من تاريخ نشر المرسوم الملكي المرخص بتأسيس الشركة.



**المادة (٧): تشكيل مجلس الإدارة:**

يتولى إدارة الشركه مجلس إداره مؤلف من عشرة أعضاء تعينهم الجمعية العامة العاديه لمدة لا تزيد على ثلاث سنوات، ولا يخل ذلك التعيين بحق الشخص المعنوي في إستبدال من يمثله في المجلس، وإستثناء من ذلك تعين الجمعية التأسيسيه أول مجلس إداره لفترة ثلاث سنوات تبدأ من تاريخ صدور القرار الوزاري الصادر بإعلان تأسيس الشركه، على أن يكون عضو مجلس الإدارة مالكا لعدد من أسهم الشركه لا تقل قيمتها عن عشرة آلاف ريال على الأقل بعد طرح أسهم الشركه للإكتتاب.

**المادة (٨): السنه الماليه:**

تبدأ السنه الماليه للشركه من الأول من شهر يناير وتنتهي بنهاية شهر ديسمبر من السنه نفسها، على أن تبدأ السنه الماليه الأولى من تاريخ القرار الوزاري الصادر بإعلان تأسيس الشركه وتنتهي في ٣١ ديسمبر من العام التالي.

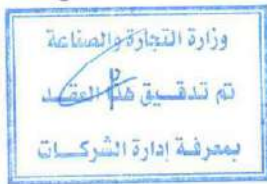
**المادة (٩): الأحكام العامه:**

تطبق أحكام نظام مراقبة شركات التأمين التعاوني ولا تحته التنفيذي ونظام الشركات ونظام السوق الماليه ولوائحه التنفيذي وأحكام مواد النظام الأساسي للشركه على كل ما لم يرد به نص في هذا العقد.

**المادة (١٠): إستكمال إجراءات التأسيس:**

يتعهد الموقعون على عقد التأسيس هذا بالسير في الإجراءات النظاميه المؤديه لتأسيس الشركه وإستصدار المرسوم الملكي بتأسيسها وكذلك القرار الوزاري بإعلان تأسيسها وقد فوضوا عنهم في القيام بهذه الإجراءات المحامي والمستشار القانوني/ إبراهيم بن فهد الفهيد.

حرر هذا العقد من (١٧) نسخه بيد كل مؤسس نسخه، واحتفظ بالنسخ الباقية لاستخدامها في إكمال إجراءات التأسيس.



## المؤسسون:

| م  | الإسم                                                     | التوقيع |
|----|-----------------------------------------------------------|---------|
| ١  | شركة الخليج للتأمين ش.م.ك.                                |         |
| ٢  | شركة يوسف محمد عبد الوهاب ناغي<br>(ذات مسئوليته محدوده)   |         |
| ٣  | شركة الخليج الطبيه (ذات مسئوليته محدوده)                  |         |
| ٤  | شركة مجموعة البترجي الصناعيه المحدوده                     |         |
| ٥  | الشركه الخليجيّه المتحدّه للإستثمار ش.م.ب                 |         |
| ٦  | مؤسسة سقاله التجاريه<br>صاحبها ياسر يوسف ناغي (رجل أعمال) |         |
| ٧  | شركة أنوال المتحدّه للتجاره<br>(ذات مسئوليته محدوده)      |         |
| ٨  | شركة صالح وعبد العزيز أباحسين المحدوده                    |         |
| ٩  | شركة الرويتع للمقاولات المحدوده                           |         |
| ١٠ | طارق إبراهيم المشرف (متسبب)                               |         |
| ١١ | عمر محمد عمر جمجوم (موظف أهلي)                            |         |
| ١٢ | مسلم بن علي بن حسين مسلم (تاجر)                           |         |
| ١٣ | محمد بن عبد الله المهنا (رجل أعمال)                       |         |
| ١٤ | مجموعة السهو للتجاره والمقاولات<br>(ذات مسئوليته محدوده)  |         |
| ١٥ | ساره محمد حسين مسلم (ربة بيت)                             |         |



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