

Right Issue Prospectus for Malath Cooperative Insurance Company

Malath Cooperative Insurance Company, Saudi Joint stock company, established in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) with Commercial Registration No. 1010231787, dated 07/04/1428H (corresponding to 24/04/2007G). Offering of thirty eight million (38,000,000) Ordinary Shares through Rights Issue at an Offer Price of ten Saudi Riyals (SAR 10) per Share, representing an increase in the Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000), representing 317.7% of the Company's Share Capital.



Offering Period: From 19/01/1439H (corresponding to 09/10/2017G) to 29/01/1439H (corresponding to 19/10/2017G)

Malath Cooperative Insurance Company ("The Company" or "Malath"), a Saudi Joint stock company, established in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) with Commercial Registration No. 1010231787, dated 07/04/1428H (corresponding to 24/04/2007G).

The current Share Capital of the Company is one hundred and twenty million Saudi Riyals (SAR 120,000,000) divided into twelve million (12,000,000) Ordinary Shares ("the Shares") with a nominal value of ten Saudi Riyals (SAR 10) per share (the "Existing Shares" with each is an "Existing Share"), all of which are fully paid.

The Board of Directors recommended in its meeting convened on 15/03/1438H (corresponding to 14/12/2016G) to increase the Company's Share Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000), after obtaining the necessary regulatory approvals. The Company obtained the approval of the Saudi Arabian Monetary Agency ("SAMA") to increase its capital in accordance with the letter No. 381000082216, dated 05/08/1438H (corresponding to 01/05/2017G).

On 08/01/1439H (corresponding to 28/09/2017G), the Extraordinary General Assembly of the Company approved the increase of the Company's Capital through a Rights Issue ("the Offering"). The Offering consists of thirty eight million (38,000,000) New Ordinary Shares ("Rights Shares" or "New Shares") at a par value of ten Saudi Riyals (SAR 10) per share ("Offering Price") to increase the Company's Capital from one hundred and twenty million Saudi Riyals (SAR 120,000,000) to five hundred million Saudi Riyals (SAR 500,000,000), divided into fifty million (50,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM being 08/01/1439H (corresponding to 28/09/2017G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders' accounts within two (2) days of the Eligibility Date in the ratio of one (3:17) Right for every (1) share held as of the Eligibility Date. Each Right grants its holder the eligibility to subscribe for one New Share at the Offer Price.

All Shareholders may trade in and subscribe to the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange"). Trading and subscription stage starts from Monday 19/01/1439H (corresponding to 09/10/2017G). Trading period closes on Monday 26/01/1439H (corresponding to 16/10/2017G), and subscription period closes on Thursday 29/01/1439H (corresponding to 19/10/2017G), (the "Trading and subscription Period").

The new shares will be subscribed for on at stage as follows:

1. During this period, all registered and new investors will be allowed to trade and subscribe;
2. The Registered Shareholder will be entitled to subscribe directly to the number of its shares during the subscription period. If he purchases new Rights, he will be entitled to subscribe to them by the end of the settlement period (two working days);
3. Unregistered shareholders will have the right to subscribe immediately after the settlement of the rights purchase process;
4. Subscription will be available electronically through the investment portfolio in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the broker.

In the event that any Shares remain unsubscribed for (the "Rump Shares"), they will be offered at the Offer Price, as a minimum, to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Tuesday 04/02/1439H (corresponding to 24/10/2017G), until the following day at 10:00 AM on 05/02/1439H (corresponding to 25/10/2017G). This offering will be referred to as the ("Rump Offering"). The Rump Shares will be allocated to the Institutional

Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than 27/02/1439H (corresponding to 16/11/2017G).

In the event that the Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriters, who will purchase the same at the Offer Price (please see section "Subscription Terms and Conditions"). After the completion of the Offering, the Company's Share Capital will become five hundred million Saudi Riyals (SAR 500,000,000) (divided into fifty million (50,000,000) Ordinary Shares. The net proceeds will be used mainly by the Company to raise solvency margin and cover in order to meet the solvency requirements and to finance the increase in the statutory deposit imposed on the Company by SAMA due to the increase in the Company's Share Capital (Please see section 9 of the Prospectus "Use of Proceeds and Future Projects"). The final allocation will be announced on 13/02/1439H (corresponding to 02/11/2017G) at the latest ("Allocation Date") (Please see section "Subscription Terms and Conditions"). Alistithmar for Financial Securities and Brokerage Company and Wasata Capital underwrite all of the Offer Shares of the Company (see "Underwriting" section).

None of the shareholders holds a controlling interest stake in the Company. None of the Shareholders also holds directly or indirectly 5% or more of its Shares

The Company has only one class of Shares and no shareholder will have any preferential voting Rights. The New Shares will be fully paid and rank identically with the existing Shares. Each Share entitles its holder to one vote and each shareholder ("Shareholder") has the Right to attend and vote at the General Assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, effective the first day of subscription period and following financial years (Please see section "Dividend Policy" and section "Risk Factors").

The Company listed thirty million (30,000,000) shares on the Saudi Stock Exchange (Tadawul) through an IPO on 16/01/1428H (corresponding to 03/02/2007G). The Founding Shareholders subscribed for 52.52% of the Company's Share Capital while the remaining 47.48% had been offered to the Public. Currently, the Company's existing Shares are traded on the Saudi Stock Exchange ("Tadawul"). The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for registering and admitting the New Shares. Approval of this Prospectus has been granted and all supporting documents requested by CMA have been completed. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and refund of extra subscriptions (see "Key Dates for Subscribers"). After registering the Shares on the official list, Saudi nationals; non-Saudi nationals

After registering the Shares on the official list, Saudi nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; Saudi and GCC companies, banks and funds; and GCC nationals will be permitted to trade in the new Shares. Qualified Foreign Financial Investors and Approved QFI Clients will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom (hereinafter referred to as "Foreign Investors") will also have the right to investment indirectly to acquire the economic benefits of the Shares by entering into swap agreements (SWAP) with persons authorized by the CMA (hereinafter referred to as "Authorized Persons") to purchase Shares listed in the Exchange, and to trade these Shares for the benefit of Foreign Investors.

The "Important Notice" (page ii) and "Risk Factors" (page 4) of this Prospectus should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby

Financial Advisor
and Lead Manager

الاستثمار كابيتال
Alistithmar Capital



Underwriters



الاستثمار كابيتال
Alistithmar Capital



This Prospectus includes information given in compliance with the Listing Rules issued by the CMA in the Kingdom of Saudi Arabia ("CMA"). The Directors, whose names appear on page (v), jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and Tadawul take no responsibility for the contents of this Prospectus, make no representations 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 document.

"This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts".

This Prospectus is dated 1438/11/18H (corresponding to 2017/07/31G)



Important Notice

This Prospectus ("the Prospectus") provides full details of information relating on Malath Cooperative Insurance Company ("The Company" or "Malath") and the offered New Shares ("Rights"). When applying for the New Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company Head Office and Lead Manager or by visiting the Company's website (www.malath.com.s), the Financial Advisor's website (www.icap.com.s), or Capital Market Authority's website (www.cma.org.sa).

The Company has appointed Alistithmar for Financial Securities and Brokerage Company ("Alistithmar Capital") to act as the Financial Advisor ("Financial Advisor"), Lead Manager ("Lead Manager") and Alistithmar for Financial Securities and Brokerage Company and Wasata Capital as the Underwriters (the "Underwriters") in relation to the Offering of the Offer Shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority ("Listing Rules"). The Directors, whose names appear on page (v), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation 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 Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Directors, Founding Shareholders, Financial Advisor, or the Company's advisors, whose names appear on pages (vii) and (viii) of this Prospectus (the "Advisors"), have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic and political factors, over which the Company has no control (please refer to the "Risk factors" section in this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

All Shareholders may trade in and subscribe to the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange"). Trading and subscription stage starts from Monday 19/01/1439H (corresponding to 09/10/2017G). Trading period closes on Monday 26/02/1439H (corresponding to 16/10/2017G), and subscription period closes on Thursday 29/01/1439H (corresponding to 19/10/2017G), (the "Trading and subscription Period").

- 1- During this period, all registered and new investors will be allowed to trade and subscribe;
- 2- The Registered Shareholder will be entitled to subscribe directly to the number of its shares during the subscription period. If he purchases new Rights, he will be entitled to subscribe to them by the end of the settlement period (two working days);
- 3- Unregistered shareholders will have the right to subscribe immediately after the settlement of the rights purchase process;
- 4- Subscription will be available electronically through the investment portfolio in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available to the broker.

In the event that any Shares remain unsubscribed for (the "Rump Shares") during the Offering Period as well as the share fractions, they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Tuesday 04/02/1439H (corresponding to 24/10/2017G), until the following day at 10:00 AM on 05/02/1439H (corresponding to 25/10/2017G). This offering will be referred to as the ("Rump Offering"). The Rump Shares will be allocated to the Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. The Subscription Price of the new shares not subscribed to in this period will be at least equivalent to the Offering Price. If the sale price of unsubscribed shares is higher than the Offering Price, the difference (if any) shall be distributed as compensation to the right holders who have not exercised their rights of subscription pro-rata the Rights they owned.

These amounts shall be distributed to the Eligible Persons as per their due proceeds from the sale of the remaining shares and the fractions of the shares (in excess of the paid Offer Price) no later than 27/02/1439H (corresponding to 16/11/2017G).

Industry and Market Data

In this Prospectus, information and data regarding Saudi economy and insurance industry has been obtained from different sources believed to be reliable. The Company has exerted reasonable effort to verify such information. Although the Company or its board members have no reason to believe that any of the information or data relating to insurance sector or market are not essentially accurate, neither the Company nor its Financial Advisor or Consultants whose names appear in pages (vii) and (viii) of this Prospectus have independently verified such information and no representation is made with respect to the accuracy or completeness of any of this information.

The referenced sources of information on the industry and market include:

Saudi Arabian Monetary Agency

Ma'athar Street – Riyadh
P.O. Box 2992, Riyadh 11169
Saudi Arabia
Tel: +966 (11) 4633000
Fax: +966 (11) 4663966
Email: info@sama.gov.sa
Website: www.sama.gov.sa



Saudi Stock Exchange (Tadawul)

Abraj Atta'awuneya North Tower - 700 King Fahad Road
P.O. Box 60612 Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 (11) 218 1200
Fax: +966 (11) 218 1220
Website: www.tadawul.com.sa
E-mail: info@tadawul.com.sa



General Authority of Statistics

Riyadh –AL-Muraba' district,
Prince Abdul Rahman bin Abdul Aziz Street
P.O. Box 3735, Riyadh 11481
Saudi Arabia
Tel: +966 (11) 4014138
Fax: +966 (11) 4059493
Website: www.stats.gov.sa
Email: info@stats.gov.sa



Financial Information

The audited financial statements for fiscal year ended on 31 December 2014G have been audited by Ernst & Young and KPMG Al-Fozan and Al-Sadhan, while the audited financial statements for fiscal year ended on 31 December 2015G have been audited by the International Auditors and KPMG Al-Fozan and Al-Sadhan and Partners. and The audited financial statements for fiscal year ended on 31 December 2016G have been audited by the International Auditors and Mohammed Al-Amri and Co.

The financial statements have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS), not in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Investors should not rely on this information while drawing attention that the calculation of financial indicators may differ proportionately from standards with identical titles that were or being adopted by other companies.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements made in this Prospectus are based on due care.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to section 2 "Risk Factors"). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been published and before and before the admission of the New Shares to listing, the Company becomes aware that:

- (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or
- (2) additional significant matters have become known which would have been required to be included in the Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Company's Board of Directors

Name	Post	Membership	Representation	Nationality	Age	Percentage		No. of Shares
						Direct	Indirect	
Eng./ Mubarak Abdullah Al-Khafra	Board Chairman	Non-Executive/Non-Independent	-	Saudi	71	0.268%	-	32,158
Mr. Mohammed Ali Al Amari	Deputy Chairman	Non-Executive/Non-Independent	-	Saudi	74	0.029%	-	3,426
Mr. Mohammed Saleh Al-Adel	Member	Non-Executive/Independent	-	Saudi	33	0.003%	-	400
Mr. Fawaz bin Mohammed Al Fawaz	Member	Non-Executive/Independent	-	Saudi	56	0.004%	-	423
Mr. Abdulmohsen Mohammed Al Saleh	Member	Non-Executive/Non-Independent	-	Saudi	81	0.003%	-	400
Mr. Obaid Abdul-lah Al Rasheed	Member	Non-Executive/Independent	-	Saudi	60	0.003%	-	400
Mr. Mohamed Abdulaziz Alnamlah	Member	Non-Executive/Independent	-	Saudi	38	0.003%	-	400
Mr. Tariq Othman Al Abduljabbar	Member	Non-Executive/Independent	-	Saudi	49	0.003%	-	400
Mr. Mohammed Sulaiman Al Hejailan*	Member	Non-Executive/Non-Independent	-	Saudi	60	-	-	-

Source: Malath Insurance

* The appointment was on 25/9/1438H (corresponding to 20/06/2017G) and will be submitted to the first shareholders' General Assembly meeting for approval.

Company Address

Malath Insurance Company

Riyadh, Sulaimania District
P.O. Box 99763, Riyadh 11625
Saudi Arabia
Tel: +966 (11) 4168222
Fax: +966 (11) 4168333
Website: www.malath.com.sa
Email info@malath.com.sa



Company's Representative - First authorized Company representative

Mohammed bin Ali Al-Ammari
Deputy Chairman
P.O. Box 105508, Riyadh 11626
Saudi Arabia
Tel: +966 (11) 4550655
Mobile: 0505200066
Fax: +966 (11) 4548404
Email info@malath.com.sa

Company's Representative - Second authorized Company representative

Nasser Al-Bunni
Chief executive officer
P.O. Box 11625, Riyadh 99763
Saudi Arabia
Tel: +966 (11) 4168222
Mobile: 0504100035
Fax: +966 (11) 4168333
Email: n.bunni@malath.com.sa

Secretary of the Board of Directors

Ammar Alsirafi
O. Box 99763, Riyadh 11625
Saudi Arabia
Tel: +966 (11) 4168222
Mobile: 0504545638
Fax: +966 (11) 4168333
Email: A.sayrafi@malath.com.sa

Stock Exchange

Saudi Stock Exchange (Tadawul)

Abraj Atta'awuneya North Tower - 700 King Fahad Road
P.O. Box 60612 Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 (11) 218 1200
Fax: +966 (11) 218 1220
Website: www.tadawul.com.sa
E-mail: info@tadawul.com.sa



Advisors

Financial Advisor and Lead manager

**Alistithmar for Financial Securities and Brokerage Company
(Alistithmar Capital)**

King Fahad Road – Al – Aqeeq - Riyadh
P.O. Box 6888, Riyadh 11452
Saudi Arabia
Tel: +966 (11) 2547666
Fax: +966 (11) 4892653
Website: www.icap.com.sa
Email: info@icap.com.sa



Underwriters

**Alistithmar for Financial Securities and Brokerage Company
(Alistithmar Capital)**

King Fahad Road – Al – Aqeeq - Riyadh
P.O. Box 6888, Riyadh 11452
Saudi Arabia
Tel: +966 (11) 2547666
Fax: +966 (11) 4892653
Website: www.icap.com.sa
Email: info@icap.com.sa



Wasata Capital Company (Wasata Capital)

Riyadh - Olaya Road
P.O. Box 50315, Riyadh 11523
Saudi Arabia
Tel: +966 (11) 4944067
Fax: +966 (11) 4944205
Website: www.wasatah.com.sa
Email: info@wasatah.com.sa




Auditors

International Accountants

P.O. Box 18025, Riyadh 11415
Saudi Arabia
Tel: +966 (11) 2002111
Fax: +966 (11) 2051215
Website: www.internationalaccountants.sa
Email: info@omcpa.com.sa



An Independent Member of  International

Dr. Mohammed Al-Amri and Co.

P.O. Box 8736, Riyadh 11492
Saudi Arabia
Tel: +966 (11) 2780608
Fax: +966 (11) 2782883
Website: www.alamri.com
Email: info@alamri.com



Auditors

KPMG Al Fozan & Partners Company
KPMG Tower - Salah El Din Road - Riyadh
P.O. Box 92876, Riyadh 11663
Saudi Arabia
Tel: +966 (11) 8748500
Fax: +966 (11) 875600
Website: www.kpmg.com.sa
E-mail: advsiorysa@kpmg.com



- * International Auditors audited the financial statements for the years ended 31 December 2015 & 2016
- * Mohammed Al-Amri and Co. audited the financial statements for the year 2016
- * KPMG Al-Fozan and Al-Sadhan and Co. audited the financial statements for the years ended 31 December 2014 & 2015

Financial Due Diligence Advisor

PricewaterhouseCoopers
Kingdom Tower – King Fahd Road
P.O. Box :8282, Riyadh 11482
Kingdom of Saudi Arabia
Tel: +966 (11) 2110400
Fax: +966 (11) 2110250
Website: www.pwc.com/middle-east
khalid.mahdhar@sa.pwc.com



Legal Advisor

Abdullah Alsaleh Law Firm
Al Seef Trading Center - King Abdullah Road
P.O. Box 90217 Riyadh 11613
Saudi Arabia
Tel: +966 (11) 2054555
Fax: +966 (11) 2054222
Website: www.alsalehfirm.com
Email: info@alsalehfirm.com



Actuarial

LUX Actuaries and Consultants
21 Newtal Building - Amwaj Island - Bahrain
P.O. Box 50912, Muharraq
Kingdom of Bahrain
Tel: + 973 77005456
Fax: Non-user
Website: www.luxactuaries.com
Email: ruan@luxactuaries.com



Note: All of the above mentioned parties have provided their written consent to mention their names and logos and to include their information in this Prospectus. None of the above mentioned parties has withdrawn its approval up to the date of this Prospectus. Neither the advisors, nor their employees and relatives have any shares or interests of any kind in the Company as at the date of this Prospectus.

The Company's main banks

Saudi British Bank (SABB)

Prince Abdul-Aziz Ben Musa'ed bin Jalawi Street

P.O. Box 9084 Riyadh 11413

Saudi Arabia

Tel: +966 (11) 405 0677

Fax: +966 (11) 405 0660

Website: www.sabb.com

E-mail: sabb@sabb.com

SABB  ساب

Arab National Bank

King Faisal Street

P.O. Box 56921, Riyadh 11564

Kingdom of Saudi Arabia

Tel: +966 (11) 402 9000

Fax: +966 (11) 402 7747

Website: www.anb.com.sa

E-Mail: ebank@anb.com.sa



Al Rajhi Bank

Olaya Road - Riyadh

P.O. Box 28, Riyadh 11411

Kingdom of Saudi Arabia

Tel: +966 (11) 2116000

Fax: +966 (11) 4600705

Website: www.alrajhibank.com.sa

E-mail: contactcenter1@alrajhibank.com.sa



Summary of the Offer:

Prospective investors willing to subscribe for the offered shares shall read this Prospectus completely prior to taking their decision to invest in the Offered Shares. Following is the summary of the Offering:

The Company	Malath Cooperative Insurance Company, established as a Saudi Joint stock company in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) with Commercial Registration No. 1010231787, dated 07/04/1428H (corresponding to 24/04/2007G), with a Share Capital of SAR 300 million. In the same year, Malath offered 47.48% of its capital in an IPO. This was followed by the listing of the Company's shares for trading. On 02/07/1438H (29/03/2016G), the General Assembly approved to reduce the capital of the Company from SAR 300 million to SAR 120 million by canceling 18 million shares. The Company's new capital becomes SAR 120 million divided by 12 million Shares.
Summary of Company Activities	The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, Implementing Regulations and all applicable laws and regulations in the Kingdom of Saudi Arabia, cooperative insurance activities for all insurance businesses and related services including engineering insurance, fire and property insurance, marine insurance (goods and structures), miscellaneous insurances and Motor insurance. The Company also provides its services in cooperative health insurance for groups and individuals. The Company serves its customers through its head office in Riyadh and its three regional administrations in the Central, Western and Eastern regions, and its branches and agents spread throughout the Kingdom in addition to the customer service center, car claims centers and an administration specialized in health insurance
Substantial Shareholders	Shareholders who own more than 5% directly or indirectly from the Company's shares until the date of this Prospectus: (None)
Company's Share Capital prior to the Offering	One hundred and twenty million Saudi Riyals (SAR 120,000,000)
Total number of Existing issued Shares prior to the Offering	Twelve million Shares (12,000,000)
Nominal Value	Ten Saudi Riyals (SAR 10) per Share.
Nature of Offering	Increasing Capital through issuance of Rights
Total Number of Offer Shares	Thirty eight million Shares (38,000,000)
Total number of Shares after capital increase	Fifty million Ordinary Shares (50,000,000)
Percentage of increase in Share Capital	616.67%
Offering Price	Ten Saudi Riyals (SAR 10) per Share paid in full upon subscription.
Total Offering value	Three hundred and eighty million Saudi Riyals (SAR 380,000,000)
Company Capital post Offering	Five hundred million Saudi Riyals (SAR 500,000,000)
Use of the Offering Proceeds	Share Capital will be increased from one hundred and twenty million Saudi Riyals (SAR 120,000,000) to five hundred million Saudi Riyals (SAR 500,000,000). Gross Offering Proceeds are estimated at three hundred and seventy million Saudi Riyals (SAR 370,000,000) after deducting the offering expenses amounting to ten million Saudi Riyals (SAR 10,000,000) from the Gross Offering Proceeds of three hundred eighty million Saudi Riyals (SAR 380,000,000). Offering expenses include the fees of the Financial Advisor, Lead Manager, Underwriters, Legal Advisor to the Offering, Due Diligence Advisor's expenses as well as marketing and other Offering related expenses. The net offering proceeds will be used by the Company mainly to raise the solvency rates and margins to meet the solvency requirements, and to finance the increase in the statutory deposit imposed on the Company by SAMA due to the increase in the Company's Share Capital. (Please refer to "Use of Proceeds" section of this Prospectus).
Number of Underwritten Shares	Thirty eight million Ordinary Shares (38,000,000)
Total amount underwritten	Three hundred eighty million Saudi Riyals (SAR 380,000,000).
Offering costs	Ten million Saudi Riyals (SAR 10,000,000)
Net Proceeds after deduction of Offering costs	Three hundred eighty million Saudi Riyals (SAR 370,000,000).

Method of Subscription	Subscription Applications are offered electronically through the investment portfolio in the trading platforms through which the sell and purchase orders are entered, in addition to the possibility of subscribing through any other means provided by the broker and custodian of shares.
Trading and Subscription Period	The trading and subscription phase starts on Monday 19/01/1439H (corresponding to 09/10/2017G) and the trading period ends on Monday 26/01/1439H (corresponding to 16/10/2017G) and the subscription period shall continue until the end of Thursday 29/01/1439H (corresponding to 19/10/2017G)
method of Allocation and Refund	The Subscription Surplus (if any) will be returned to Subscribers without any commissions or deductions from the Lead Manager. The surplus (if any) will be refunded no later than Thursday 27/02/1439H (corresponding to 16/11/2017G).
Dividends Eligibility	The Offering Shares shall be entitled to their share of any profits declared by the Company and paid from the date of the Prospectus and the subsequent financial periods
Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to vote. Each Shareholder has the right to attend and vote at the General Assembly meeting and vote. The shareholder may delegate any other shareholder, other than the members of the Company's Board of Directors or its employees, to act on his behalf in attendance of the meetings of the General Assembly and vote on its resolutions.
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on 12/01/1439H (corresponding to 02/10/2017G).
Restrictions to shares	None
Previously listed shares	The Company has listed Thirty million Ordinary Shares (30,000,000) in Tadawul on 17/7/2007G). The Founding Shareholders subscribed for 52.52% of the Company's Share Capital while the remaining 47.48% were publicly offered.
Risk Factors	There are certain risks related to investing in the Offered Shares. These risk factors are discussed in the "Risk Factors" section of this Prospectus and need to be carefully considered before making a decision to invest in the Offer Shares
Registration and Trading of Shares	An application has been submitted to CMA to register and list the Rights on the Saudi Stock Exchange. The Company has submitted all approvals and documents required by CMA in relation to the Prospectus and all the requirements of the Rights Issue. The current shares are registered and listed on the Saudi stock Exchange. Share trading is expected to commence following the final allocation of shares and deposit them in the subscribers' portfolios and completion of all relevant requirements.
Subscription Eligibility Factor	(3.167) Right for every (1) existing share owned by Registered Shareholders, which is the result of dividing the number of New Shares by existing shares.
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM on 08/01/1439H (corresponding to 28/09/2017G).
Rights	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares, upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. Rights will be deposited in the registered shareholders' portfolios after the Extraordinary General Meeting taking into account the settlement procedures. The rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
No. of Rights	38 million Rights
Eligible Persons/Targeted Investors	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights from individuals and institutions who have purchased the Rights during the trading period.
Amended Price	The Company's Share Price in the exchange was adjusted to SAR 12.35 per share at the end of trading on the day of the Extraordinary General Meeting and after shareholders' approval of the capital increase. This represents a decrease in the share price by SAR 7.35 per share.
Shares Allocation Date	On 10/02/1439H (corresponding to 30/10/2017G).
Shares Allocation	New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. (Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering). All proceeds resulting from the sale of Rump Shares and fractional Shares up to the Offer Price shall be distributed to the Eligible Persons pro rata their eligibility no later than Thursday 27/02/1439H (corresponding to 16/11/2017G).

New Shares	The Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the Company
Rump Shares	The New Shares which were not subscribed for during the allowed Offering Period
Rump Offering	Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Tuesday 04/02/1439H (corresponding to 24/10/2017G), until the following day at 10:00 AM on 05/02/1439H (corresponding to 25/10/2017G) (referred to as "Rump Offering"). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Listing of/Trading in the Rights	<p>Tadawul" is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company's Rights Issue (separate from the Company's trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the trading of the Rights:</p> <ul style="list-style-type: none"> • Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe in the New Shares. • Selling the Rights or a part thereof through the Exchange. • Purchasing additional Rights on the Exchange. • Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering. • Tadawul system will cancel the Rights Symbol (code) upon completion of the Trading and Offering Period.
Indicative Value of the Right	The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price. Tadawul will continuously calculate and publish the indicative value of a Right during the Offering Period on its website with 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.
Right Trading Price	The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who failed to exercise their right to subscribe and did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares at the latest on 27/02/1439H (corresponding to 16/11/2017G), without any deductions. Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).
Exercising the Issued Rights	<p>Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Agents' branches or by subscribing electronically through the Receiving Agents offering such services to Applicants. Eligible Persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> 1- During the Offering Period, Registered Shareholders or who purchased Rights within the limits of Rights they own, may exercise their Rights to subscribe. During this Period, all Right holders, whether Registered Shareholders or general investors (individuals and institutions) may trade in the Rights and exercise the right to subscribe. 2- In the event that Rights have not been exercised by Eligible Persons before the end of the Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.
Restriction on the Rights	<p>No restrictions on Rights.</p> <p>No shareholder holds 5% or more of the Company's Shares</p>
Unregistered Shareholders	Company Shareholders whose names do not appear in the Company's Shareholders Register at the end of the trading day of the EGM

Note: Section 'Important Notice' and Section 'Risk Factors' of this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares as per this Prospectus.

Key Dates for Subscribers

Anticipated Time table for Offering	Date
EGM, setting the Eligibility Date and Registered Shareholders	On Thursday 08/01/1439H (corresponding to 28/09/2017G)
Trading phase and subscription to the Rights	Trading and subscription stage starts from Monday 19/01/1439H (corresponding to 09/10/2017G). Trading period closes on Monday 26/01/1439H (corresponding to 16/10/2017G) and subscription period closes on Thursday 29/01/1439H (corresponding to 19/10/2017G) "Trading and subscription Period"
Offering Period End Date	Offering period and receipt of Subscription Application Forms ends on Thursday 29/01/1439H (corresponding to 19/10/2017G)
Rump Offering Period Date	From 04/02/1439H (corresponding to 24/10/2017G) until on 05/02/1439H (corresponding to 25/10/2017G)
Notification of Allocation Notification to all Subscribers	On Wednesday 13/02/1439H (corresponding to 02/11/2017G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	Payment of Compensation Amounts (if any) no later than Thursday 27/02/1439H (corresponding to 16/11/2017G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website www.tadawul.com.sa.

Key Announcement Dates

Announcement	Announcer	Date
Announcement regarding the EGM (Eligibility Date)	Company	On Thursday 08/01/1439H (corresponding to 28/09/2017G)
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	Company	On Sunday 11/01/1439H (corresponding to 01/10/2017G)
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Company	On Sunday 11/01/1439H (corresponding to 01/10/2017G)
Announcement regarding the New Shares subscription periods and rights trading	Company	On Tuesday 13/01/1439H (corresponding to 03/10/2017G)
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	Company	On Monday 19/02/1439H (corresponding to 09/10/2017G)
Reminder announcement of the last Trading day for the Rights and subscribe to the Rights such Rights	Company	On Sunday 25/01/1439H (corresponding to 15/10/2017G)
Announcement regarding: Outcome of the First Offering Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	Company	On Sunday 02/02/1439H (corresponding to 23/10/2017G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	On Tuesday 11/02/1439H (corresponding to 31/10/2017G)
Announcement regarding the deposit of New Shares in the investors' accounts	Company	On Wednesday 12/02/1439H (corresponding to 01/11/2017G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	On Thursday 27/02/1439H (corresponding to 16/11/1439G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website www.tadawul.com.sa.

How to Apply

Subscribing for the New Shares shall be limited at the beginning to Eligible Persons, Whether registered shareholders at the end of the Extraordinary General Assembly or investors who have purchased Rights from the market. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms Through the means and services provided by the mediator to investors, with two basic conditions:

- The subscriber (Eligible Person) should have a valid account with a Receiving Entity (Intermediary) that provide this service, and
- There should have been no changes to the data or information of the Eligible Person (by deletion or addition of a member of his family) since he has participated in a recent subscription, unless such amendments reached the intermediaries and were adopted by them.

Subscription Applications Forms are submitted through the investment portfolio in the trading platforms and applications through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the broker and custodian of shares. The Company reserves the right to refuse any application for subscription to new shares in whole or in part, if it does not comply with any of the conditions or requirements of the subscription. Once submitted, a Subscription Application Form shall represent a legally binding contract between the Eligible Person and the Company.

FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for offered New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Depository as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

Following the Extraordinary General Meeting and its approval to increase the capital through a rights issue, the Rights shall be deposited as securities in the Company's shareholders' portfolios at the at the Securities Depository Center by the end of the second trading day after the Extraordinary General Meeting. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will be allowed to be traded or subscribed only at the beginning of the Trading and Subscription periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service and SMS's sent through intermediaries age companies.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 500 new shares, its number of shares becomes 1,500. Then, the eligibility ratio is 1 to 2 (one new share for every two existing shares).

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price (Indicative Value of the Right). For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appear in the Company's Shareholders' Register at the end of the trading session on the EGM date.

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period.

Is it possible for a Registered Shareholders to lose his/her eligibility s to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on raising the capital through a rights issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the Offering take place?

Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries and custodian.

Can Shareholders subscribe more than once through more than one intermediary?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1000) Rights as each shares is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but after depositing certificates in investment portfolios through intermediaries or Depository Center in Tadawul before the end of the subscription stage, and introducing the necessary documents. If they do not deposit the certificates, the holders of these certificates will not be able to subscribe to the Offered Rights.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When the subscriber can subscribe for the Rights he purchased during trading period?

After settlement of the purchase of Rights (two working days).

Can the Eligible Person sell or assign the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

If the new shares are not fully subscribed for during the Offering Period, the remaining new shares will be offered for subscription through an offering to be organized by the Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription value and any expenses according to the criteria defined by this Prospectus. The investor may not receive any consideration if the sale occurs in the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

The shareholder who is registered in the Issuer's Shareholders' register at the Depository Center after the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a rights issue.

When is the share price adjusted as a result of increasing the Issuer's Share Capital through a rights issue?

The share price is adjusted by the Exchange before the start of trading on the day following the EGM.

If an investor buys securities on the EGM day, will he be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the security will be recorded in the security's register on the completion of settlement of the securities transactions two working days after the date of the Extraordinary General Meeting. However, he shall not be entitled to attend or vote in the EGM.

If an investor has more than one portfolio with more than one Brokerage Company, how will his Rights be calculated?

The investor's shares will be distributed to the portfolios owned by the him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest amount of rights.

What is Trading and Subscription (Offering) period?

Trading and Subscription to the Rights shall commence at the same time until the end of trading on the sixth day, while Subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the EGM subscribe for the Rights?

Unrestricted Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. All terms contained in this Prospectus have been defined in section 1 "Definitions and Abbreviations" of this Prospectus and in other sections in the Prospectus.

Company Overview

Malath Cooperative Insurance Company was established pursuant to the Royal Decree No. M/60 on the 18th of Ramadan 1427 H corresponding to 11 October 2006, by a group of Saudi investors with a paid-up capital of SAR 300 million divided into 30 million Ordinary, as a Saudi joint stock company based in Riyadh, Prince Mohammed bin Abdul Aziz Road - Kingdom of Saudi Arabia. A percentage of 47.48% of the capital was offered for the Initial Public Offering (IPO) for the period from 03 to 12 February 2007G. On 09 April 2007G, and per the Commercial Registration No. 1010231787, the establishment of Malath as a public shareholding company that is engaged in cooperative insurance and reinsurance activities according to the regulations issued by the Saudi Arabian Monetary Agency and the Cooperative Health Insurance Council was announced. The Company was listed on the Saudi Stock Exchange (Tadawul) on 05 May 2007G. On 05 May 2010, the ban on founding shares was lifted and the Founding Shareholders became free to dispose of their shares.

The Company's accumulated losses amounted to SAR 187,670,000, equivalent to 62.56% of the Company's Share Capital. On 19/11/2016, the Board of Directors recommended the amortization of the accumulated losses of the Company amounting to SAR 180,000,000 (60%) of the total capital through the reduction of (1.8) shares for every three shares (a total of 18,000,000 shares of the Company were written off).

The Board of Directors has taken the necessary steps to support the Company and to continue its development through preparing a plan for restructuring its Share Capital. The Board approved the recommendation to the Extraordinary General Assembly to reduce the Company's Share Capital from SAR 300 million to SAR 120 million by canceling 18,000,000 shares, providing that this step is to be followed directly by increasing the Company's Share Capital from (SAR 120) million to (SAR 500) million. The Extraordinary General Assembly held on 01/07/1438H (29/03/2017G) approved the Board of Directors' recommendation to reduce capital.

Malath is considered the second company to obtain a license to practice insurance activity in the Kingdom of Saudi Arabia. Since its inception, Malath has paid particular attention to the development and qualification of the Saudi youth in the insurance sector, with a Saudization rate of 65% and Saudis occupy most of the Company's leadership positions. No shareholder has ownership of 5% or more of the Share Capital.

Company's Vision

To be the preferred insurance company in the Kingdom of Saudi Arabia.

Company's Mission

Provide diverse, innovative and competitive insurance products and services that will add value to customers and clients with high efficiency.

Company's Strategy

The management's philosophy and strategy are directly based on continued and sustainable growth while achieving profitability supported by reliability and safety to customers and shareholders alike.

Company's Values

The Company adopts a set of basic core values that will define its obligations and commitments towards its customers, employees and related parties, through which its objectives are achieved:

- **Credibility:** The Board members and executives have extensive business management experience in the Saudi market, and the obligation to maintain efficiency and accuracy in settling claims in a timely and effective manner.
- **Transparency:** Quality efficiency is centered on the transparency between the Company and the client to know the rights of the two parties in full and thus improve the service and provide a high quality service.
- **Speed and flexibility:** Compensations, procedures and review of decisions require speed and flexibility to organize claims and approvals.
- **Quality:** The Company is keen to consolidate the principles of quality and provide its highest levels to meet the needs of its customers. It believes that the quality reduces the volume of incurred losses and damages.

- Integrity: Adhering to the rules and conduct of professional ethics in conjunction with responsibility, transparency and credibility.
- Responsibility: Seeking to provide a quality innovative work with high efficiency.

Main Activities:

The Company is engaged in the provision of integrated products in the field of the various types of general insurance, which include: engineering insurance, fire and property insurance, marine insurance (goods and structures), miscellaneous insurances and Motor insurance. The Company also provides its services in cooperative health insurance for groups and individuals. The Company serves its customers through its head office in Riyadh and its three regional administrations in the Central, Western and Eastern regions, and its branches and agents spread throughout the Kingdom in addition to the customer service center, motor claims centers and an administration specialized in health insurance. Its insurance products include:

• Health insurance

Includes group health insurance and health insurance for individuals and small groups. This sector accounts for 4.4% of total premiums in 2016G.

• Motor Insurance

It includes mandatory insurance against third parties and damage to motor and also includes comprehensive insurance. This sector accounted for 87.7% of total premiums in 2016G.

• General Insurance

Including property insurance, engineering insurance, accident insurance, marine insurance, group protection insurance. This sector accounted for 7.9% of total premiums in 2016G.

Insurance of various accidents includes third party liability insurance, product liability insurance, movable and in-store insurance, personal accident insurance, international travel insurance, security insurance, glass insurance, employee injury insurance and employer liability.

Summary of the Company's Strengths and Competitive Advantages

The Company enjoys a number of competitive advantages including:

- Has sufficient experience in the field of work
- Diversity of Insurance Services
- Provide Subject matter experts in inspection and risk management
- The Company deals with high financial rating international insurance brokers.
- The Company branches and points of sale for customer service are widely spread.

Significant Shareholders

No shareholder has ownership of 5% or more of the Share Capital as at the date of this prospectus.

Overview of Insurance Sector in Saudi Arabia

The insurance market in Saudi Arabia is one of the largest and fastest growing markets and is influenced by factors and risks that are different from the rest of the sectors according to its nature. Compulsory insurance lines are one of the market drivers for growth such as health insurance and motor insurance, which represent the largest proportion of insurance products. In the meantime, the large competition in the market and the growth of the number of competitors are considered one of the most important risks faced by insurers. The Council of Cooperative Health Insurance (CCHI) is one of the main drivers for the growth of the health insurance application. The regulations that are issued about the compulsory insurance coverage of various sectors such as non-Saudis in the private sector, drive the demand and market growth. Also, the increase of interest rates on the dollar support the investment returns of insurance companies. Further rise in interest rates is expected so that will result in additional profits and growth of the sector coinciding with that rise.

As for the insurance companies listed in the Saudi market, the sector is characterized by degree of acquisition of the market size. The market share of BUPA Arabia, Tawuniya, MedGulf Insurance, Malath Insurance, and Al Rajhi Takaful accounted for 22.2%, 22.5%, 8.9%, 6.1% and 5.4% respectively in 2016G Insurance companies qualified by CCHI exercise general insurance, health insurance, protection and savings insurance.

Overview of Financial Information

The accompanying notes are an integral part of the financial statements for the years ended 31 December 2014, 2015 and 2016G, including the accompanying notes and should be read in conjunction with them.

Statement Financial Position

(SAR 000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Total assets of the insurance operations	1,630,096	1,609,060	1,550,423
Total assets of shareholders' operations	316,991	286,309	274,027
Total assets	1,947,087	1,895,369	1,824,450
Total liabilities and surplus (deficit) of insurance operations	1,630,096	1,609,060	1,550,423
Total Shareholders, liabilities	40,772	27,875	184,668
Total shareholders' equity	276,219	258,434	89,359
Total shareholders' equity and liabilities	316,991	286,309	274,027
Total liabilities of the insurance operations and shareholders' equity and liabilities	1,947,087	1,895,369	1,824,450

Source: Audited Financial Statements

Comprehensive Income Statements

(SAR 000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Gross written premiums	1,412,841	1,863,478	2,167,856
Total Revenues	1,086,512	1,793,122	1,868,272
Total costs and expenses	1,109,607	1,801,519	2,012,135
Surplus (deficit) from insurance operations	(23,095)	(8,397)	(143,863)
Shareholders share in the surplus/(deficit) from insurance operations	23,095	8,397	143,863
Share of shareholders' deficit	23,095	8,397	143,863
Investment income of Shareholders operations	18,460	7,974	11,670
Total expenses of Shareholders operations	(1,577)	(1,460)	(17,981)
Provision for zakat	(7,500)	(8,000)	(6,000)
Net loss for the year	(13,712)	(9,883)	(156,174)
Total comprehensive loss for the year	(14,761)	(17,785)	(169,075)

Source: Audited Financial Statements

Cash flow schedule for insurance operations

(SAR 000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Net result of the modified year	(24,697)	(4,416)	(132,652)
Changes in operating assets and liabilities	259,984	272,714	215,162
Net cash from operating activities	235,287	268,298	82,510
Net cash from (used in) investing activities	33,020	(186,758)	186,229
Net change in cash and cash equivalents	268,307	81,540	268,739
Cash and cash equivalents, beginning of the year	188,947	457,254	538,794
Cash and cash equivalents at the end of the year	457,254	538,794	807,533

Source: Audited Financial Statements

Cash flow for shareholders

(SAR 000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Income before changes in operating assets and liabilities	3,195	3,099	(12,254)
Changes in operating assets and liabilities	(42,535)	(29,905)	3,313
Net cash from operating activities	(39,340)	(26,806)	(8,941)
Net cash investment activities	59,887	27,612	80,115
Net change in cash and cash equivalents	20,547	806	71,174
Cash and cash equivalents, beginning of the year	58,971	79,518	80,324
Cash and cash equivalents, end of the year	79,518	80,324	151,498

Source: Audited Financial Statements

Performance Indicators and Financial Ratios

Financial Ratios

	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Total written premium growth rate	83.3%	31.9%	16.3%
Net claims paid / written premiums	53.2%	74.2%	73.9%
Net loss rate: Net claims incurred /net earned insurance premiums	89.7%	86.3%	114%
Assignment rate: Premiums reinsurance assigned/Total written insurance premiums	10.4%	18.2%	30.8%
Retention Ratio: Net written premiums / total written premiums	89.6%	81.8%	69.2%
Percentage of subscription costs of insurance policies of the total written premiums	3.96%	9.2%	10%

Source: Extracted from the audited financial statements

The Auditor for 2016 was changed from KPMG Al-Fozan and Partners to Dr. Muhammad Al Amri & Co.

Summary of Risk Factors

There are a number of risks related to the issuance of Rights (See 'Risk Factors' section (2)) as this is a summary of these factors). These risks are summarized in three main groups

1- Risks Related to the Company's Activity and Operations

- i- Failure to obtain and renew the required licenses, permits and certificates.
- ii- Risks related to customer credit
- iii- Risks related to Dependence on Key Personnel
- iv- Employees Misconduct or Error
- v- Risk of a fine by the Ministry of Labor
- vi- Insufficient Capital and Minimum Requirements
- vii- Risks Related to Access to Adequate Financing
- viii- Risks related to Investment
- ix- Inadequacy of Provisions (Reserves)
- x- Risks relating to acquisition of insurance portfolio
- xi- Risks related to Poor Assessment
- xii- Risk of cancellation or non-renewal by policyholders
- xiii- Risks related to Translation of Insurance Policies
- xiv- Risks Related to Accumulated Losses
- xv- Risks related to Operational and IT Systems
- xvi- Risk related to Risk Management Policies
- xvii- Claims, Disputes and Litigations
- xviii- Risks related to increase in doubtful accounts
- xix- Risks related to brand protection
- xx- Risks related to the Company's Financial Performance
- xxi- Risks related to Vacant Key Positions
- xxii- Risks of imposing fines
- xxiii- Reinsurance Risks
- xxiv- Risks related to Contracts with Other Parties
- xxv- Risks related to Zakat Differences
- xxvi- Risk of Changes in Significant Accounting Standards and New Standards
- xxvii- Risk related to Credit Rating
- xxviii- Exchange Risks
- xxix- Risks related to Business Concentration
- xxx- Risk of failure to comply with safety and fire protection requirements
- xxxi- Risk of Reliance on Brokers and Agents
- xxxii- Risks of Contracts with Related Parties
- xxxiii- Risks related to Governance
- xxxiv- Risks related to the Work and Meetings of the Board Committees

2- Risks related to the Market and Industry

- i- Risks Related to Compliance with Laws and Regulations
- ii- Risks Related to the issuance with the New Companies Law
- iii- Risk of Withdrawal of the License to Conduct Insurance Business
- iv- Solvency Requirements
- v- Risks related to non-Saudi Employees
- vi- Reporting Requirements
- vii- Risks related to insurance market growth
- viii- Risks related to Limited Historical Data on the Market
- ix- Risks related to Lack of Cultural Awareness of Insurance Importance in KSA
- x- Competition Risks

- xi- Impact of Drop in Customers' Confidence
- xii- Necessary Approvals for Offering New products and Renewal of Current Product Approvals
- xiii- Risks related to Economic and Insurance Industry Conditions
- xiv- Insurance Business Cycle
- xv- Political Risks
- xvi- Risks related to Lack of Control over Prices

3- Risks related to Shares

- i- Risks of Fluctuation in the Price of Rights
- ii- Risks related to Potential Fluctuations in Share Price
- iii- Risk of Non-profit or Sale of Rights
- iv- Risks related to Future Data
- v- Risks relating to the Possibility of Issuing New Shares
- vi- Lack of Demand for the Company's Shares and Rights
- vii- Potential dilution of ownership
- viii- Risks related to Dividends
- ix- Failure to Exercise the Rights in a Timely Manner

Table of Contents

1. Definitions and Abbreviations	1
2. Risk Factors	4
2-1 Risks Related to the Company's Activity and Operations	4
2-2 Risks related to the Market and Industry	12
2-3 Risks related to Shares	15
3. Saudi Economy and the Insurance Sector	17
4. The Company	20
4-1 Company Overview	20
4-2 Company's Vision	20
4-3 Company's Mission	20
4-4 Company's Strategy	20
4-5 Company's Values	20
4-6 Strengths and Competitive Advantages of the Company	21
4-7 Company Activity	21
4-8 Development Policy	23
4-9 Business Interruptions	23
4-10 Employees and Saudization	24
4-11 Acknowledgment of no intention to change the nature of business	26
5. The Company Structure	27
5-1 Company Organizational Structure	27
5-2 Company Board	28
5-3 Board Committees	46
6. Management Discussion and Analysis of the Financial Position of the Company and the Results of its Operations	51
6-1 Introduction	51
6-2 Directors' Declarations Regarding Financial Information	51
6-3 Basis of Preparation	52
6-4 Summary of Significant Accounting Policies	52
6-5 Comprehensive Income Statements	58
6-6 Statement of financial position	68
6-7 Statement of Financial Flows	72
7. Capitalization and Indebtedness	75
8. Dividends Distribution Policy	76
8-1 Dividends Distribution	76
9. Use of Offering Proceeds and Future Projects	77
10. Experts Statement	80
11. Declarations	81
12. Summary of By-Laws	82
12-1 Incorporation	82
12-2 Company Name	82
12-3 Company Objectives	82
12-4 Participation and acquisition of companies	82
12-5 Company Head Office	82
12-6 Duration of the Company	82
12-7 Rules applicable to the Company	82
12-8 Subscription in Shares	82
12-9 Shareholders Register	83

12-10 Share issuance	83
12-11 Capital	83
12-12 Share Capital Decrease	83
12-13 Capital Increase	83
12-14 Share trading	83
12-15 Board of Directors	83
12-16 Vacancies in the Members of the Board of Directors	84
12-17 Vacancies in the Positions of the Board of Directors	84
12-18 Powers of the Board of Directors	84
12-19 Remunerations of the Board of Directors	85
12-20 The Chairman, Deputy Chairman, Managing Director and Corporate Secretary	85
12-21 Board Meetings	85
12-22 Board's Minutes of Meetings	85
12-23 Board Committees	85
12-24 Shareholders' General Assemblies	86
12-25 Ordinary General Assembly	86
12-26 Extraordinary General Assembly	86
12-27 Voting in Assemblies	86
12-28 Assembly Resolutions	86
12-29 Discussion in Assemblies	87
12-30 Chairmanship of Assemblies and Preparation of Minutes	87
12-31 Company Auditors	87
12-32 Fiscal Year	87
12-33 Financial Documentation	87
12-34 Insurance Operations' Accounts	88
12-35 Zakat and Reserve	88
12-36 Profit distribution	88
12-37 Company Losses	88
12-38 Company Dissolution and Liquidation	89
12-39 Final Provisions	89
13. Legal Information	90
13-1 Company Incorporation and licenses and permits under which it operates	90
13-2 Company Branches and Points of Sale	91
13-3 Table of Commercial Registrations and Points of Sale	94
13-4 Municipality permits issued for points of sale or branches	96
13-5 Lease Contracts	98
13-6 Capital Structure and amendments thereto	100
13-7 Board of Directors	101
13-8 Summary of Substantial Contracts	104
13-9 Insurance Agency Agreements	108
13-10 Reinsurance Agreements	114
13-11 Contracts with Insurance Service Providers	122
13-12 Contracts with Accounting and Consulting Services Providers	124
13-13 IT Contracts	125
13-14 Insurance Policies Issued by the Company	126
13-15 Insurance with Other Company	127
13-16 Disputes and Litigation	129
13-17 Intangible Assets	130
13-18 Shareholders' Rights	131
13-19 Voting Rights	131
13-20 Repurchase Rights	132
13-21 Shareholders Assemblies Resolutions	132
13-22 Shareholders Assemblies Resolutions:	132
13-23 Insurance Transactions Accounts	132
13-24 Zakat and Provision	133
13-25 Eligibility for Profits	133

13-26 Dissolution and Liquidation of the Company	133
13-27 Extraordinary General Assembly Terms of Reference	133
14. Underwriters	134
15. Offering Expenses	135
16. Waivers	136
17. Offering Terms and Conditions	137
17-1 The Offering	137
17-2 How to Apply for Subscription to the Rights (New Shares)	137
17-3 Subscription Application Form	137
17-4 Trading and Offering Period and Rump Offering Period	137
17-5 Allocation and Refund	138
17-6 Questions and answers on the developed mechanism for traded Rights	139
17-7 Resolutions and Approvals under which shares are offered	141
17-8 Miscellaneous Terms	142
17-9 Statement on any existing arrangements to prevent the disposal of certain shares	142
18. Change in the share price as a result of the capital increase	143
19. Rump Offering	144
20. Covenants Relating to Subscription	145
20-1 Allocation Processes	145
20-2 Saudi Stock Exchange (Tadawul)	145
20-3 Trading of the Company Shares on the Saudi Stock Exchange	145
21. Documents Available for Inspection	146
22. Accountant's Report	147
22-1 (Annex-1) Audited Financial Statements for the years ended 31 December 2015 and 2016G	147

Index of Tables

Table (1-1): Definitions and Abbreviations	1
Table (3-1): Population Indicators	17
Table (3-2): Macroeconomic indicators	17
Table (3-3): Gross Written Premiums	18
Table (3-4): Employees in the Insurance Sector	19
Table (4-1): Licenses	22
Table (4-2): Companies in which the Company owns shares	23
Table (4-3): Training and Development Programs	23
Table (5-1): Board Members	28
Table (5-2): CV of Mubarak Abdullah Al-Khafra	29
Table (5-3): CV of Mr. Mohammed Ali Al Amari	29
Table (5-4): CV of Mr. Mohammed Saleh Al-Adel	30
Table (5-5): CV of Mr. Fawaz Mohammed Al Fawaz	31
Table (5-6): CV of Mr. Abdulmohsen Mohammed Al Saleh	31
Table (5-7): CV of Mr. Obaid Abdullah Al Rasheed	32
Table (5-8): CV of Mr. Mohammed Abdulaziz Alnamlah	32
Table (5-9): CV of Mr. Tariq Othman Al Abduljabbar	33
Table (5-10): CV of Mr. Mohammed Sulaiman Al Hejailan	33
Table (5-11): CV of Mr. Ammar Fawaz Al Sayrafi	33

Table (5-12): Senior Executives	34
Table (5-13): CV of Mr. Nasser Hashim Al Bunni	36
Table (5-14): CV of Mr. Rami Hoshan	36
Table (5-15): :CV of Mr. Fawaz Al Hajji	37
Table (5-16): CV of Mr. Abubaker Ahmed Shihab	37
Table (5-17): CV of Mr. Ahmad Bassan Al Hariri	38
Table (5-18): CV of Mr. Khaled Mustafa Aref	38
Table (5-19): CV of Mr. Yousef Mohammed Al Sohibani	39
Table (5-20): CV of Mr. Abdulaziz Abdullah Al Rowais	39
Table (5-21): CV of Mr. Tariq Saleh Al Ghamdi	40
Table (5-22): CV of Mr. Mohiddin Ahmed	40
Table (5-23): CV of Mr. Hani Hashem El Sayed	41
Table (5-24): CV of Mr. Asad Javid	41
Table (5-25): CV of Mr. Marut Dahar	42
Table (5-26): CV of Mr. Bader Al Otaibi	42
Table (5-27): CV of Mr. Bader Al Duwaihi	42
Table (5-28): CV of Mr. Waleed Nowaisry	43
Table (5-29): CV of Mr. Mohammed Al Suffayan	43
Table (5-30): CV of Mr. Meteb Al Ghamdi	43
Table (5-31): CV of Mr. Abdullah Al Madi	44
Table (5-32): CV of Mr. Hadi Hammam	44
Table (5-33): CV of Mr. Mohammed Khan	44
Table (5-34): CV of Mr. Lakshmanan Chemmenchery	44
Table (5-35): CV of Mr. Abdulsalam Al Matar	45
Table (5-36): CV of Mr. Ammar Al Sayrafi	45
Table (5-37): Executive Committee Members	46
Table (5-38): Audit Committee Members	47
Table (5-39): CV of Mr. Abdulaziz Sulaiman Al Atiqi	47
Table (5-40): CV of Mr. Naef Mohammed Al Khamshi	47
Table (5-41): Risks Management Committee Members	48
Table (5-42): Nominations and Remunerations Committee Members	48
Table (5-43): Investment Committee Members	49
Table (6-1): Income statement	58
Table (6-2): Insurance premiums written by type of insurance	61
Table (6-3): Written premiums from the top 10 clients	62
Table (6-4): Premiums written by channel of sale	63
Table (6-5): Premiums Assigned for Reinsurers by Type of Insurance	64
Table (6-6): Reinsurance Commission	65
Table (6-7): Subscription costs of insurance policies	65
Table (6-8): General and administrative expenses	66
Table (6-9): Outstanding claims	71
Table (6-10): Movements in the Zakat Allowance	71
Table (6-11): Outstanding claims reserve table and percentage of total claims paid	71
Table (6-12): Table: Cash flow schedule for insurance operations	72
Table (6-13): Table: Cash flow table of shareholders' operations	73

1. Definitions and Abbreviations

The following table includes a list of terms and definitions of terms in the prospectus

Table (1-1): Definitions and Abbreviations

Terms	Definitions
The Company or Malath or the Issuer	Malath Cooperative Insurance Company
Management	Management Team of Malath Cooperative Insurance Company
Official Gazette	Um Al Qura Newspaper, Official Gazette of the Government of Saudi Arabia
The Government	The Government of Saudi Arabia
Shares	A fully paid Share of the Company at a par value of SAR 10
Exchange or Tadawul	The Saudi Arabian Stock Exchange
SAMA	Saudi Arabian Monetary Agency
SAMA License	The license granted to the Company by the Saudi Arabian Monetary Agency
General Authority of Statistics	The official and only reference for the implementation of statistical activity and supervision and technical organization of the statistical sector, being the local statistics authority at the level of the Kingdom of Saudi Arabia
Financial Statements	Audited Financial Statements for the years ended 31 December 2014, 2015 and 2016G
Shareholder	The holder of the Shares as at any particular time
Financial Advisor	Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital) which was appointed by the Company as a financial advisor in connection with the Offering of the Company's shares in the main market
Lead Manager	Alistithmar for Financial Securities and Brokerage Company
Subscriber	Every Eligible Shareholder subscribes or submits an application to subscribe to the Company's shares in accordance with the Company's Offering terms and conditions
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
By-Laws	The By-Laws of Malath
The Offering	Offering of thirty eight million (38,000,000) shares at a par value of SAR 10 per share
SAR or SR	Saudi Arabian Riyal, the Official currency of the Kingdom of Saudi Arabia
Offer Price	SAR 10 per share of the offering
Offering Period	The period starting on Monday 19/01/1439H (corresponding to 09/10/2017G), and ending on 29/01/1439H (corresponding to 29/10/2017G).
Listing Rules	The Listing Rules issued by the CMA Board pursuant to its Resolution No. 3-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) in accordance with Capital Market Law promulgated by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), as amended by Resolution No. 1-64- 2016 dated 19/08/1437H (corresponding to 26/05/2016G) issued by the Board of the CMA
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses
Offered Shares	thirty-eight million (38,000,000) ordinary shares of the Company's shares
Board or Board of Directors	The Company's (Malath) board of directors
Advisors	The Company's advisors whose names appear on pages (vii) and (viii)
Prospectus	This document prepared by the Company in relation to the Offering
Companies Regulations	The Companies Regulations in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/3) dated 28/1/1437H (corresponding to 10/11/2015G), which came into force on 25/07/1437H (corresponding to 2/5/2016G)
CMA or the Authority	Capital Market Authority of Saudi Arabia

Terms	Definitions
Significant Shareholders	Shareholders who own 5% and more of the total shares of the Company as indicated in Page No. (xviii)
GAM	General Assembly of shareholders of the Company
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) (pursuant to the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G)
The Ministry or Ministry of Commerce	Ministry of Commerce and Investment in the Kingdom of Saudi Arabia
CCHI	The Council of Cooperative Health Insurance, a Government Authority to supervise implementation of Cooperative Health Insurance Law
Depth of Insurance	Percentage of total premiums subscribed to GDP
Density of Insurance	Average per capita expenditure on insurance
Public	In the Listing Rules, it means the persons other than the following: 1- affiliates of the issuer; 2- substantial shareholders of the issuer; 3- directors and senior executives of the issuer; 4- directors and senior executives of affiliates of the issuer; 5- directors and senior executives of substantial shareholders of the issuer; 6- any relative of persons described at (1), (2), (3), (4) or (5) above; 7- any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or 8- persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Reinsurance	The process by which the insurance company or the reinsurer insures or reinsures another insurer or reinsurer (the assigned company) against all or part of the insurance or reinsurance risks that the assigned company undertakes to cover under one or more insurance policies
Underwriting Agreement	The Underwriting Agreement entered into between the Company and the Underwriters
Insurance Policy	A legal document or contract issued by the Company to the insured stating the terms of the contract to compensate the insured for the loss and damage covered by the document in return for a premium paid by the insured
Insurance	A contractual mechanism by which the burden of pure risks is transferred by classifying and aggregating them
Insurance Agency	A legal/corporate person acting against a commission represents the insured to attract, negotiate and conclude insurance contracts
Insurance Brokers or Intermediators	A legal person who, against a particular remuneration, represents the insured or prospective clients in attracting and negotiating insurance contracts
IFRS	International Financial Reporting Standards, a set of accounting standards and interpretations issued by the International Accounting Standards Board
Eligible Persons	All Right holders, whether they are Registered Shareholders or who have purchased Rights during the Trading Period
Financial Year	The fiscal year ending on 31 December of every year
Actuarial	An advisor prepares statistical theories and various possibilities on which services are priced, liabilities assessed and provisions calculated
Total Written Premiums	The total premiums of insurance contracts written during a specified period (whether assigned or not) without deducting the assigned premiums.

Terms	Definitions
Institutional Investors	<p>The investors specified below:</p> <ol style="list-style-type: none"> 1- Government entities and Government-owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by CMA, the Exchange or any other stock exchange recognized by CMA or the Depository Centre; 2- Public investment funds established in the Kingdom that are publicly offered and private investment funds which invest in the securities listed in the Saudi Capital Market, if such is permitted by the fund's terms and conditions, and subject to the provisions and restrictions provided in the Investment Funds Regulations; 3- Authorized persons licensed to deal in securities as a principal provided that the capital adequacy requirements are observed; 4- Customers of an authorized person licensed to conduct management services provided that such authorized person has been appointed on terms upon which it may make decisions regarding the acceptance of subscription for the Offering and investment in Tadawul on behalf of the customer without obtaining prior approval thereof; 5- Any other corporate persons that may open an investment account in the Kingdom and an account with the Depository Centre, taking into consideration the rules and regulations that apply to investment by listed companies in securities provided that the participation by such a company shall not cause any conflict of interest. 6- GCC corporate Investors , including companies and funds established in the GCC countries; 7- Qualified Foreign Financial Investors;
portfolios	An investment instrument that includes a number of assets
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the date of the EGM.
SAGIA	Saudi Arabian General Investment Authority
Shareholders	Shareholders holders as of any specified time
Solvency Margin	The extent to which the Company's assets can be converted into cash (other than its obligations)
Statutory Reserve	Amounts that the Company must deduct and allocate to cover its financial obligations
Nationalization or Saudization	Labor regulations in the Kingdom of Saudi Arabia that require companies operating in the Kingdom to employ a certain percentage of Saudis
Policy Holders	The natural person who has entered into an insurance contract and is entitled to financial compensation for certain damages
Underwriters	Alistithmar for Financial Securities and Brokerage Company and Al Wasata Financial Company
Insurance Policy	A legal document or contract issued by the Company to the insured stating the terms of the contract for the insured against loss and damage covered by the document against a premium paid by the insured
Reinsurance Commissions	Commission earned by reinsurance of another insured, against all or part of the insurance or reinsurance risk
Technical Provisions	These technical provisions are set aside under the requirements of SAMA based on the accepted accounting standards and after their adoption by the actuary including the Company's obligations
Founding Shareholders	The Company's Founding Shareholders
Brokers of Intermediators	They are market institutions licensed by the Capital Market Authority (CMA- to transact as agent
Un-Registered Shareholders	Shareholders of the Company whose names do not appear in the Company's shareholders register at the end of the trading day on the EGM date

2. Risk Factors

In addition to the other information contained in this Prospectus, all prospective investors should carefully consider all risk factors described below before deciding whether to invest in the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to, or considered immaterial by, the Company, which may preclude its operations. The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected if any of the following risks actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a Financial Adviser licensed by the CMA for advice about investing in the shares of this Offering.

In the event that any of the risks that the Company currently believes to be material do occur, or if any other risks that the Company does not currently consider to be material do occur, the value of the Offer Shares could decrease and prospective investors could lose all or part of their investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now, may have the impacts shown in this Prospectus.

2-1 Risks Related to the Company's Activity and Operations

2-1-1 Failure to obtain and renew the required licenses, permits and certificates.

The Company shall obtain and maintain the necessary authorizations, licenses and regulatory approvals in respect of its activity. These licenses include, but are not limited to, licenses of the products obtained by the Company from SAMA, licenses for opening points of sale and branches issued by the Ministry of Municipal and Rural Affairs, certificates of registration of the Company and its branches issued by the Ministry of Commerce and Investment, certificate of participation in the Chamber of Commerce, certificates of Saudization, Zakat and GOSI certificates (see section 13 - Legal Information- Summary of Licenses, Certificates and Approvals obtained by the Company).

Article (5) of the Commercial Registration Regulation states that whoever is registered in the Commercial Register and obtains commercial registration certificate must submit to the Commercial Registry Office, within 30 days from the date of registration, a certificate of subscription in the Chamber of Commerce and Industry. The Company did not obtain Chamber of Commerce subscription certificates for all commercial registrations obtained from the Ministry of Commerce totaling (17) seventeen commercial registration certificates. This may expose the Company to the fine provided for in Article (15) of the Commercial Registration Regulation, as maximum of fifty thousand Saudi Riyals (SAR 50,000) for each violation. The Company has renewed the commercial registrations without submitting a Chamber of Commerce subscription certificate for each registration certificate of the branch and/ or point of sale, being satisfied with one subscription certificate for membership of chamber of commerce and industry in each Administrative Area, regardless of the number of commercial registration certificates issued in each region of the Kingdom (such as Central, Eastern or Western Region).

The Company has (31) thirty-one locations in which it operates, including 12 branches, 3 claim centers and 16 points of sale (six of which are operated by the Company, and the rest are operated by insurance agents assigned by the Company). The Company did not renew the license of the municipality for the point of sale in Hail. In case that the license is not renewed, the Company will be subject to the penalties stipulated in the Fines and Penalties Regulations for Municipal violations (issued by the Council of Ministers' resolution No. 218 dated 06/08/1422H), which set penalties ranging from SAR 1,000 as a minimum to SAR 5,000 as a maximum for each violation. It may lead to closing the point of sale in Hail, and that will adversely affect the Company's business, results of operations and financial position.

In 2016, the Company closed (19) nineteen points of sale in different regions of the Kingdom without obtaining SAMA's non-objection prior to the closure, which would be considered a violation of the regulations of expansion of the branches and annual sales points for insurance companies issued by SAMA on 02/05/2016. The Company will be held accountable by the SAMA, which may impose legal penalties in the event of observing such violation (a fine of up to SAR 1,000,000) for each branch in accordance with Article 21 of the Cooperative Insurance Companies Control Law, through its supervisory and control procedures.

If the Company fails to renew its current licenses or obtain any of its business licenses; if any of the Company's licenses are suspended or expired; if such licenses were renewed with unsuitable terms for the Company; or the Company fails to obtain the additional licenses that may be required in the future, then the Company may discontinue or refrain from engaging in its business, e.g. by closing some of the branches and points of sales, or freezing all services provided by the regulatory bodies to the Company (such as renewing licenses and certificates, issuing visas, residence permits and transfer of sponsorships. Etc. This would lead to disruption of the Company's operations and to its incurring of more costs, which would have an adverse impact on the Company's results of operations and financial position.

2-1-2 Risks related to customer credit

Pursuant to Article (6) of the Unified Compulsory Motor Insurance Policy issued by SAMA, insurance companies are required to indemnify third party/parties (other than the insured) for the consequences of accidents covered under the insurance policy against third parties. Insurance companies have the right of recovery from the insured, the driver or the person causing the accident to recover the amount it had paid to the third party if recovery is justified. Therefore, recovery from the insured, the driver or the person causing the accident to recover the paid amounts results in high risks of procrastination and failure by some people to repay the amounts due from them, which will adversely affect the Company's financial position and results of operations. . In 2016, the collection rate was 40% of the claimed amounts.

2-1-3 Risks related to Dependence on Key Personnel

The Company depends on the expertise and capabilities of the leading staff. Therefore, the success of the Company may depend on its ability to ensure continuity of the qualified personnel and find their replacements if they leave the Company. The Company depends on its success in maintaining the relationship with intermediaries through retaining the staff and ensuring their continuity, and its ability to attract new qualified staff and ensure their continuity.

There can be no assurance that the Company can retain the services of its personnel or increase their skill levels. The Company may also need to increase salaries to ensure the continuity of its employees and attract new staff with appropriate qualifications, which may have a negative impact on the Company's financial position. This may make it difficult to maintain some staff, so the loss of services of one or more of members in senior management, departments and sections may disrupt the implementation of the Company's business strategy, which will have a negative impact on its business, financial position and results of operations.

2-1-4 Employees Misconduct or Error

The Company cannot guarantee that it can deter employee's misconduct, mistakes, intentional errors, embezzlement, fraud, theft, forgery, misuse of properties and act on its behalf without obtaining the due administrative authorizations. Accordingly, such acts may have consequences and liabilities incurred by the Company, regulatory sanctions, or financial responsibility, which could adversely affect the Company's reputation, operations and financial position. Therefore, the Company cannot guarantee that the misconduct of its employees will not substantially harm its financial condition or results of operations.

2-1-5 Risk of a fine by the Ministry of Labor

The Company has a comprehensive HR Manual including rules on the organization of work and related provisions (including provisions for benefits and provisions for violations and disciplinary actions) and has been approved by the Ministry of Labor under Ministerial Resolution No. 2646/1 dated 7/9/1427H (Corresponding to 30/9/2006). The Company has not updated its internal work regulations pursuant to the recent amendments to the labor regulations promulgated by Royal Decree No. (M/46) dated 5/6/1436H (corresponding to 25/3/2015), which would be considered a violation of the Labor Law, imposing a fine of (Two thousand Riyals) to (Five thousand Riyals), according to the schedule of violations and penalties. On 21/01/1437H (corresponding to 03/11/2015), the Company submitted a request to the Ministry of Labor to adopt the updated internal work regulations. As at the date of this Prospectus, the approval of the Ministry of Labor has not been issued.

2-1-6 Insufficient Capital and Minimum Requirements

The Company may need in the future to increase its capital to expand its business and comply with the requirements of sufficient capital and solvency margins to maintain its competitive position. Any future capital increase is subject to approvals of regulators, such as SAMA, CMA and MOCI. Failure of the Company to get such approvals would hinder the Company's ability to keep pace with growth and commitment to regulatory requirements mentioned above, and as such could adversely and materially affect its business and financial results.

2-1-7 Risks Related to Access to Adequate Financing

The Company's ability to obtain sources of financing for its business depends on several factors, including factors related to its ability to obtain the regulatory approvals, its financial condition and creditworthiness. In future, if the Company needs to have additional financing for expansion of its activities and products or for improvement of its solvency, it will face difficulties in obtaining sources of financing and, if obtained, they may be at unfavorable costs and terms. If the Company needs to increase its capital to obtain additional financing, the ownership percentages of the current Shareholders may decrease. In future, difficult access to adequate financing may adversely affect the Company, its financial performance and business plan.

2-1-8 Risks related to Investment

The Company's operations and results thereof will partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, market fluctuations, volatility of interest rates, liquidity and credit risks, and political conditions. If the Company fails to balance its investment portfolio and solvency with its financial obligations, it may be forced to liquidate its investments at unfavorable times or prices. This would affect the Company's returns from investments, and that would adversely affect the Company's financial condition and results of operations.

2-1-9 Inadequacy of Provisions (Reserves)

As per the Article 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall maintain adequate provisions to meet and cover financial obligations as below:

- Unearned Premium Reserves
- Unpaid Claims Reserves
- Claim Expense Reserves
- Incurred but not Reported ("IBNR") Claims Reserves
- Unexpired Risk Reserves
- Disasters Risk Reserves
- General Expenses Reserves

The size of reserve is estimated based on expected trends in volume of claims and their frequency according to the data available at the time. The process of putting appropriate level of claim reserves is inherently uncertain due to the difficulty and complexity of making necessary assumptions. The size of reserves depends on future estimates and it might prove to be inadequate in any period. In case the actual claims exceed the claims reserve, the Company would have to increase its reserves. Reserves established for future insurance policy claims may prove to be insufficient and the Company will then need to increase reserves which will have a material adverse effect on its business, financial condition and results of operations.

2-1-10 Risks relating to acquisition of insurance portfolio

In the context of the Company's acquisition of the insurance operations portfolio, the process of acquisition evaluation would be subject to review by an independent commission assigned by SAMA to make sure that the legal and actuarial accountant follows standards set by SAMA regarding the evaluation of insurance portfolios to be acquired. To complete the acquisition process, SAMA's final approval on the terms and conditions of the insurance portfolio sale and transfer agreement should be obtained. As of the date of this Prospectus, the Company has not made any acquisition transaction. If the Company wishes to acquire another insurance portfolio in future, it will have to get final approval from SAMA on the terms and conditions of the insurance portfolio's sale and transfer agreement as well as the approval of the General Assembly of Shareholders. In addition, the Company may have to pay more money than the carrying value and as such it will affect its profitability and have negative impact on the financial position of the Company.

2-1-11 Risks related to Poor Assessment

The Company studies potential risks before issuing insurance policies to the applicants based on the actuary's report. This study is conducted by IPO experts who use specific programs to estimate potential losses and risks with the assistance of the independent actuary, who examines the patterns of risk development and future prospects based on historical performance. The potential risks may not be estimated accurately and therefore the Company may incur financial losses that adversely affect its future performance. The study of potential risks and actuarial studies can help mitigate the risks of risk assessment.

2-1-12 Risk of cancellation or non-renewal by policyholders

The Company operates in a competitive insurance market. As the duration of insurance policies issued by the Company are generally short in their term, the Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums by the Company in the coming years would be negatively and materially affected, which would affect the Company's results or operations.

2-1-13 Risks related to Translation of Insurance Policies

Some of the Company's insurance policies are written in Arabic and translated from English, but the translation of some items of the insurance policies offered by the Company are not accurate in clarifying some of the terms contained in the policy, which will lead to a dispute between the parties over the interpretation of the meaning of the policy. Courts and Judicial Committees in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute arises between the Company and one of its clients, which may expose the Company to enter into disputes with customers, and as such

could adversely affect its business and financial results. The Company also adopted the English text of some insurance policies without being translated into Arabic and in both cases it violates Article (52) of the Implementing Regulations of the Cooperative Insurance Companies Control Law which requires that the insurance policy must be written clearly using a language that easily understood by the public. This could prevent the Company from accepting new policyholders or subscribers in any of the insurance line items or reducing that, or compel the Company to take any other steps deemed necessary by SAMA, in accordance with Article 19 of the Cooperative Insurance Companies Control Law. This would adversely affect the Company's financial condition and results of operations.

2-1-14 Risks Related to Accumulated Losses

The Company recorded accumulated losses of SAR 213.08 million as of December 31, 2016, which represents 71% of its Share Capital. There is no assurance that the Company will discontinue to realize additional losses, in which case, the Company will be subject to a number of relevant laws and regulations in the Kingdom, particularly Article (150) of the Companies Regulations, which stipulates that the Board of Directors should call the Extraordinary General Assembly to convene to consider continuation or dissolution of the Company before the end of its duration if its accumulated losses reached half (1/2) of its capital. (For more details, please refer to section 9.1 "Capital Structure – CMA Regulations Regarding the Accumulated Losses")

It is worth mentioning that on 23/01/1438H (corresponding to 24/10/2016G), the CMA's board resolution No.1-130-2016 was issued to modify procedures and instructions regarding the listed companies which suffered accumulated losses of 50% or more of its capital as per the new Companies Law, and to be renamed to become "Procedures and Instructions for listed Companies which have accumulated losses of (20%) or more of their capital". The modified procedures and instructions shall be applied as of 25/07/1438H (corresponding to 22/4/2017G).

The CMA also obliged the Companies listed on the Capital Market with cumulative losses of (50%) or more of the paid up capital to announce on the Tadawul website prior to 24/07/1438H (21/04/2017G) its plan regarding the application of Article (150) of the Companies Law.

On April 11, 2017G, the Company's status was changed and the yellow mark was removed, which was next to the Company's name on the Tadawul website after the approval of the Extraordinary General Assembly on 29/03/2017G to reduce the capital and reduce its accumulated losses below 20%.

2-1-15 Risks related to Operational and IT Systems

The Company relies on information technology systems to conduct its business. However, it may be exposed to risk of malfunction, including the collapse of the system, failure or breach of security, viruses, human errors, natural disasters, fires and errors of communication and lack of skilled labor necessary for the operation and management of these systems.

If a significant malfunction or failure occurs repeatedly, it will negatively affect revenues and the Company will not be able to issue its periodical financial reports in a timely manner which will exposes it to accountability, penalties and consequently affect its operating results, especially if the Company is forced to announce its financial statements on a monthly basis.

2-1-16 Risk related to Risk Management Policies

Risk management policies are based on the observation of the historical behavior of the market. Therefore, these policies may not be able to accurately predict the potential future risks that may be greater than those that have been deduced through the historical means. In view of the scarcity of sufficient data on Saudi insurance market, the available information may not be accurate, complete, up to date or have been properly evaluated in all cases, and the Company's policies, procedures and internal controls may not be fully effective in all circumstances and conditions, which will lead to inadequate information provided to the Company in order to accurately assess its exposure to risks. Accordingly, the Company will be exposed to high risks, which will negatively and materially affect its financial position and operating results.

The Company has not prepared an annual report on its risk management plan which is submitted to SAMA at the end of each year in accordance with the requirements of Article 19 of the Risk Management Regulations. Therefore, as per Article (9) of the said regulation, the Company has violated the Cooperative Insurance Companies Control Law, and will be brought to account by the SAMA and it may be subject to penalties (a fine of up to SAR 1,000,000) in accordance with Article 21 of the Cooperative Insurance Companies Control Law.

2-1-17 Claims, Disputes and Litigations

In the normal course of its business, the Company may be exposed to lawsuits and legislations relating to insurance operations and disputes and claims relating to the insurance coverage. No assurance can be given by the Company that it would not have disputes with some policyholders that could lead to lawsuits filed with competent judicial authorities. As a result, the Company may be subject to governmental or administrative audits and investigations and proceedings in the context of new controls on the insurance industry in the Kingdom. The Company cannot predict the results of these claims if they occur, and cannot guarantee that these claims will not have material impact on the Company's business, financial conditions and results of operations. The Company also cannot predict the exact volume of costs of litigation or legal proceedings that could be filed by or against it, or the outcome of these lawsuits, or passed judgments including compensations and penalties, that could have negative consequences and negative impact on the Company.

As at 31 December 2016, the total claims against the Company amounted to approximately (SR 32,495,720) thirty-two million four hundred and ninety-five thousand seven hundred and twenty Riyals, of which (SR 23,282,790) twenty-three million two hundred eighty-two thousand and seven hundred ninety nine Riyals related to the claim of the Saudi Railways Organization to get compensated damages caused to trains as a result of the collision of two trains. The rest is related to motor insurance claims for compensation for vehicle damages. Most of the claims are pending before the competent judicial committees.

2-1-18 Risks related to increase in doubtful accounts

As at 31 December 2016, the Company has accumulated outstanding receivables totaling approximately SAR 184 million, of which SAR 100 million were overdue for less than 90 days and SAR 84 million for more than 90 days. The provision for doubtful accounts amounted to (SR 43,000,000) forty three million Riyals as at 31 December 2016. The high value of the provision for doubtful accounts during 2016 had a significant adverse impact on the Company's solvency margin and financial position. If the Company is unable to implement a serious and effective collection policy, this will have a negative impact on the Company's business, future prospects, results of operations, financial position and /or share price.

2-1-19 Risks related to brand protection

The Company's ability to market its insurance products and develop its business depends on the use of its name and logo. If the Company fails to prevent violation of its rights in this regard, such failure will negatively impact the brand and make the Company's operations more expensive and consequently will affect its operating results. The Company's business will be further affected if it has to compete with similar brands within the major markets in which it operates and does not have registered property rights.

The Company has its own trademark registered at the Ministry of Commerce and Investment under category (36) thirty-six related to private insurance services.

The Company may not be able to prevent third parties from using a trademark identical or similar to its trademark. This will affect its reputation and adversely affect its ability to market its products, which will have a negative impact on the Company's profits and future results.

2-1-20 Risks related to the Company's Financial Performance

The Company presented the future work plan to SAMA with the aim of increasing its capital. This study is based on assumptions the most important of which is renewal of approvals for current products, and expectations related to claims and future operating costs. If the Company does not obtain the necessary approvals for its existing products or if future results differ from the expected results, this difference may have a negative impact on the Company's profits and results of future operations.

2-1-21 Risks related to Vacant Key Positions

The Company has several vacant positions as of the date of this Prospectus as follows: Reinsurance Implementation Manager, Executive Director of Health Insurance Operations and Executive Director of Sales Development and Agents. The Company's productivity may be adversely affected in the event of delayed recruitment or if it is unable to appoint the person who has the competence and expertise required in the candidates to fill these positions as that will affect the Company's ability to implement its strategy and determined plans.

For example, the vacancy of any of the following positions (Chairman, Vice President, Chief Executive Officer, CFO, or Secretary) is a violation of the Companies Regulations, giving CMA the right to impose the penalty (fine not exceeding SAR 500,000) as stipulated in Article (213) of the Companies Regulations. As for the Risk Manager, the success of the Company and its continuity is associated with its ability to assess, manage and monitor the risks on an ongoing basis. Also, Article (15) of the risk management By-Laws issued by SAMA requires insurance companies to appoint a risk officer for General Insurance and another officer for health insurance risk management. As for the Reinsurance Officer, his main functions are to deal with reinsurance records, supervise the Company's commitment to its determined strategy for reinsurance, and inform SAMA about any violation in this regard. The lack of appointment for this position is in violation of Article (21) of the Implementing Regulations and Article (14) of the Implementing Regulations of the reinsurance operations, and it may expose the Company to penalties up to (SR 1,000,000) as per Article (21) of the Cooperative Insurance Companies Control Law.

2-1-22 Risks of imposing fines

The Company shall obtain and maintain the necessary permits licenses, licenses and regulatory approvals in respect of its activities, which include, but not limited to, the licenses of products obtained from SAMA, licenses for opening stores issued by the Ministry of Municipal and Rural Affairs, registration certificates of the Company and its branches issued by the Ministry of Commerce and Investment, certificates of Chamber of Commerce membership, certificates of trademarks registration, certificates of Saudization, and certificates of Zakat and GOSI.

SAMA may impose fines on the Company in case of violation of the laws and regulations relating, as an example, to the periods dictated by SAMA for settlement of claims or the language of the Company's approved insurance policies and legal translation of English texts, which may amount to (SR 1,000,000) as per Article (21) of the Cooperative Insurance Companies Control Law. This will adversely affect the Company's profits and financial results. If the Company is unable to comply with these regulations, instructions and standards on an ongoing basis, it will be subject to financial fines. This will result in unexpected additional funding and negative impact on the Company's operations.

2-1-23 Reinsurance Risks

The Company relies on a number of reinsurers from international companies, notably: Hannover Re, Munich Re, Swiss Re and RFIB. Except for the contract entered with Hannover Retakaful BSC, which is governed and interpreted in accordance with the prevailing regulations in the Kingdom, most reinsurance contracts provide for jurisdiction to hear disputes between parties for arbitration outside Saudi Arabia and under the laws of England and Wales. This is considered as non-compliance with Article (22) of the Cooperative Insurance Companies Control Law, which gave the exclusive jurisdiction to the Board of Grievances to adjudicate all disputes between insurance companies and reinsurers or against each other. This would expose the Company to the risk of penalties and fines by SAMA up to (SR 1,000,000) in accordance with Article (21) of the Cooperative Insurance Companies Control Law.

In the event of a lawsuit of dispute, the reinsurer may select foreign courts or arbitrators outside the Kingdom, the negatives of which will be unknown to the Company. Therefore, the Company would not be able to implement the awards, judicial orders, arbitrators' judgments or documented minutes, issued in a foreign country, and their contents contradict with the provisions of Islamic Shariah, or the foreign state in which the ruling or order was issued does not reciprocate with the Kingdom. Also, the Company will bear financial burdens, additional costs and expenses in the context of following up the proceedings outside the Kingdom and that will cost the Company additional burdens and, as such, will adversely affect the Company's financial results.

In addition, as per the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company must select a reinsurer with minimum rating of BBB from Standard & Poor's ("S&P") or equivalent rating from a recognized international rating organization. If the insurers have ratings less than BBB or equivalent rating, the Company must obtain SAMA's written approval before contracting with them in accordance with the Implementing Regulations of the Cooperative Insurance Companies Control Law. If the Company could not get SAMA's approval it would stop reinsurance arrangements with low rating companies, which will increase the burdens on the Company and expose it to more risk, including the inability of reinsurers of low rating to fulfill their obligations towards the Company and accordingly would impact its financial position and operational results.

The Company entered into a reinsurance agreement with the Saudi Cooperative Reinsurance Company on June 30, 2015. The agreement was terminated on 30 June 2016 upon a request from SAMA which considered that the contents of this contract were different and misleading. The cancellation of this agreement led to significant changes in the reinsurance accounts for the fiscal years 2015 and 2016, which led to a rise in reinsurance commission to reach SAR 415.3 million in 2016. The financial impact of SAR 11 million was recorded in the fiscal year 2016. The accounting offer for reinsurance commissions was positively impacted against a negative impact on net premiums acquired.

2-1-24 Risks related to Contracts with Other Parties

The Company has entered into contracts and agreements with other parties working in the field of insurance, such as insurance brokerage contracts, insurance agents' contracts and reinsurance contracts, in addition to other service contracts such as IT contracts and consulting contracts. The Company depends on the ability of these third parties to meet their obligations under the terms and conditions of these contracts and agreements. There is no assurance that these parties will meet their obligations to the levels expected by the Company. In case of inability of the Company or the contracted parties to abide by the terms of these contracts, or in case of any future disputes or issues occur and the Company loses such disputes, the Company's financial position, cash flows, results of operations and future prospects could be adversely affected (For more details, please refer to section 14 "Legal Information – Summary of Material Contracts").

2-1-25 Risks related to Zakat Differences

The Company may be exposed to liabilities arising from differences in the method of calculating the amount of Zakat. The Company has submitted an appeal to the General Authority for Zakat and Income Tax against subjecting the statutory deposit and certain investments to Zakat Tax. The Company has filed an appeal with the Preliminary Zakat and Tax Appeal Committee, under the letter No. 172/15 dated 24/6/1436H (corresponding to 13/4/2015) issued by Al-Bayyouk Chartered Accountants regarding the value of zakat due on the Company for the years 2007 to 2010. On 24/4/1438H (22/01/2017G), the representative of the Company attended the session specified at the Preliminary Committee to discuss the objection. As of the date of this Prospectus, the Company has not received any decision from the Preliminary Committee in this regard. If the Company is obliged to pay Zakat differences, its financial statements and consequently its results of operations and financial position will be adversely affected.

2-1-26 Risk of Changes in Significant Accounting Standards and New Standards

The Financial Statements of the Company are prepared in accordance with international accounting standards for financial reports (not in accordance with the accounting standards generally accepted in the Kingdom and issued by the Saudi Organization for Certified Public Accountants "SOCPA"). The Company is obliged in this case to apply the amendments or changes made to these standards from time to time, and therefore any changes in these standards or the mandatory application of some of the new standards will affect the Company's financial statements, and accordingly its financial results and financial position.

2-1-27 Risk related to Credit Rating

The Company has a credit rating of BBB+ from the Standard & Poor's (S&P) credit rating agency. The Company is rated as stable in the GCC (gcAA), and there is no guarantee that the Company will maintain a good rating in case of having risks higher than the prevailing limit in the insurance market or in case of a decline in the strength and security of the Company's Share Capital position, and the decline in the balanced growth of the Company, which will adversely affect the Company's business.

In addition, pursuant to the provisions of the Implementing Regulations of the Cooperative Insurance Companies Control Law, reinsurers must be selected with a minimum of BBB rating from Standard & Poor's (S & P) or an equivalent rating from a recognized international rating agency. For those insured with a minimum rating of BBB or a minimum equivalent rating, the Company must obtain the written approval from SAMA before contracting with them in accordance with the Implementing Regulations of the Cooperative Insurance Companies Control Law. If it is unable to obtain approval, it must discontinue the reinsurance arrangement with low-rated companies, which will increase the Company's burdens and expose it to further risks in that low-rated reinsurers may not be able to meet their obligations and thus adversely affect the Company's financial position and operating results.

2-1-28 Exchange Risks

Exchange risks are the result of financial investments fluctuations due to the change in foreign exchange. Companies often encounter exchange risks when dealing with international parties in their currency. Company's operations are mostly in Saudi Riyal and its revenues are generated from local market in local currency. In the event that the Company collects any amounts from its products or foreign dealings in foreign currency, it may encounter exchange risks and any unexpected major fluctuations in exchange may adversely affect the Company's financial performance.

2-1-29 Risks related to Business Concentration

The Company's insurance activities focus on auto insurance, accounting for 87.67% of total written premiums as at 31 December 2016.

On 15/03/1438H (corresponding to 14/12/2016G), the Company announced on Tadawul website that it will not offer renewal of third party liability insurance and motor insurance policy for Abdul Latif Jameel Finance Company and that it has terminated the contract with Abdul Latif Jameel Company for Insurance Agency. It is worth mentioning that this policy represents about 40% of the Company's total premiums. Failure to renew this policy will adversely affect the total written premiums of the Company in the coming years.

The auto insurance sector is a highly competitive sector, and if the Company is unable to expand its customer base in this activity or unable to diversify its products in the future, its financial position and operating results will be adversely affected.

2-1-30 Risk of failure to comply with safety and fire protection requirements

As of the date of preparation of this Prospectus, the Company has not obtained a Civil Defense permit relating to the leased location of the point of sale in Hail. Therefore, it will be exposed to penalties and procedures that may be taken due to the absence of the Civil Defense permit or the non-renewal thereof, pursuant to the list of violations of the By-Laws of safety conditions and means of protection that should be available in residential and administrative buildings, issued by the Ministry of Interior/ Directorate General of Civil Defense. The penalties are as follows;

- The fine must not exceed SAR 30,000.
- Suspension of work in the dangerous part or section in the firm if it is dangerous until the hazard is removed.
- Grant the violating firm a period of time to remove the violation.
- Give order to close the firm.

If the Company is subject to any of these penalties or procedures, it will have negative impact on the Company's results of operations and financial position.

2-1-31 Risk of Reliance on Brokers and Agents

The Company depends mainly on insurance brokers. The total net premiums written by brokers amounted to (SR 653,420,000) Six Hundred Fifty Three Million and Four Hundred Twenty Thousand Riyals representing 30% of the total written premiums as at 31/12/2016. (Please refer to Section 13.8.2 "Insurance Brokers' Agreements").

The Company's revenues from Abdul Latif Jameel Insurance Agency Company accounted for 40% of the gross premiums written in the field of auto insurance during the year 2016. The contract has not been renewed and will result in lower sales and profits of the Company and will also affect the decline and fluctuation of the Company's profit margins, which will have significant adverse impact on the Company's future business, financial results, prospects, financial position and stock prices.

2-1-32 Risks of Contracts with Related Parties

The Company has entered into a number of insurance contracts with related parties, including some of its Board of Directors, and companies belonging to members of the Board of Directors, for a total value of (SR 5,318,000) five million and three hundred eighteen thousand Saudi Riyals as at 31/12/2016G. (Please refer to Section 13.8.1 "Contracts and Transactions with Related Parties".

The Company also entered into an agreement with the Saudi NASCO (for Insurance Brokerage), which is co-owned by the Chairman of the Board (Eng. Mubarak Abdullah Al Khafra). It is reinsurance contracts, in the form approved, with all reinsurance brokers with whom the Company deals. The total transactions amounted to (SR 1,234) thousand Reinsurance installments and SAR (123) thousand reimbursements recovered by them. However, the Company will not be able to provide reinsurance services after capital reduction, which will result in termination of the agreement and will affect the profitability of the Company.

There is no assurance of renewal of the contracts with related parties in future at the end of their terms. It is possible that the Company's Board or the General Assembly may not agree to renew these contracts, or the related parties may not agree to renew them under the terms of insurance policies set by the Company. As such, non-renewal of these contracts will have negative and material impact on the Company's profitability, business, prospects, financial condition and results of operations.

2-1-33 Risks related to Governance

The new corporate governance regulation was issued by CMA Board Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), according to the new Companies Law. The application of the regulation started 22/04/2017G, and it includes mandatory clauses which are more stringent than those in the old regulation.

Since the Governance Regulations are new, the Company cannot guarantee the ability of the Administrative Body and the Board Committees to carry out the responsibilities assigned to them and adopt a business methodology that will protect the interests of the Company and its shareholders. This will affect the implementation of the new governance regulation in the Company, which leads to non-compliance with CMA regulations, and expose the Company to risks of fines and penalties as well as other operational and administrative risks.

2-1-34 Risks related to the Work and Meetings of the Board Committees

The Company's articles of association set certain restrictions on the composition of Board committee and the number of their meetings. A sufficient number of non-executive board members should be appointed to committees assigned to tasks that may result in conflicts of interest (such as ensuring the integrity of financial and non-financial reports, review of contracts and transactions of related persons, nomination to the Board of Directors, appointment of Executive Directors, and determination of remuneration).

The Insurance Companies Governance Regulations issued by SAMA on 21/10/2015G, stipulate that insurance companies shall form specialized committees to expand their work in the specialized fields. They include, but not limited to, the Nomination and Remuneration Committee, the Audit Committee, the Risk Management Committee, the Investment Committee, the Governance Committee, the Compliance Committee, the Disclosure Committee, the Human Resources Committee and the Strategic Development Committee. These committees shall have the necessary powers to carry out their work. Article (90) of the Regulation stipulates that each insurance company shall have at least an Executive Committee, an Audit Committee, a Nomination and Remuneration Committee, a Risk Management Committee and an Investment Committee.

In accordance with Article (50) of the new Corporate Governance Regulations, by virtue of resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017), the Board of Directors- subject to Article (101) of Companies Laws related to the Audit Committee – shall form specialized committees according to the following:

- 1- The need of the Company, its conditions and situation to enable it to carry out its functions effectively.
- 2- The composition of the committees shall be in accordance with general procedures established by the Board, which shall include the definition of the mission of each committee, the duration of its work, the powers vested in it during this period and way that the Board of Directors will supervise it. The Committee shall inform the Board of its findings and decisions with transparency. The Board shall regularly follow up the work of these committees to verify that they practice the works assigned to them.
- 3- Each committee shall be responsible for its work before the Council. This shall not prejudice the responsibility of the Council for such acts, powers or authorities it has delegated to it.

- 4- The number of committee members shall not be less than three (3) and not more than five (5).
- 5- The chairmen of the committees (or their representatives) should attend the general assemblies to answer the shareholders' questions.
- 6- The Company shall notify the CMA of the names of the members of the committees and the capacities of their membership within five working days from the date of their appointment and any changes thereto within five working days from the date of the changes.

The resignation of one of the board members (Dr. Ghassan Al-Shibl) caused vacancy in the Chairmanship of the Executive Committee. SAMA was notified on 23/02/2017G pursuant to the requirements of Article (14) of the list of requirements for appointment to leadership positions. The Board of Directors, during its meeting held on 22/02/2017, nominated the Vice Chairman of the Board, Mr. Mohamed Al-Amari to chair the Executive Committee and nominated Mr. Mohammed Saleh Al-Athel for membership of the Committee. As of the date of this Prospectus, the approval of SAMA on the appointment has not been issued. The absence of the Chairman of the Executive Committee for the Ordinary General Assembly meeting on 21/05/2017 will be considered a violation of the Corporate Governance Regulations and the Company will be held accountable before the CMA.

It is also worth mentioning that Article (34) of the Implementing Regulations of the Cooperative Insurance Companies Control Law obligates the Company to establish a department for regular auditing to verify compliance with the regulations and instructions and to be directly linked with the Audit Committee. A Director of Legal Affairs and Compliance has been appointed and has direct contact with SAMA and he provides it with information according to the procedures it specifies. The organizational structure of the Company shows that the Regulatory Control Department has no direct link with the Audit Committee. This is a violation of the Implementing Regulations of the Cooperative Insurance Companies Control Law, and non-compliance with that will expose the Company to questioning and taking some action against it by SAMA, which may reach prevention or limiting it from accepting subscribers or investors or new subscribers in any of its insurance activities and obligate the Company to take any other steps deemed necessary by SAMA pursuant to the provisions of Article 19 of the Cooperative Insurance Companies Control Law. This in turn will adversely affect the Company's business and results of operations.

2-2 Risks related to the Market and Industry

2-2-1 Risks Related to Compliance with Laws and Regulations

The Company is subject to applicable laws and regulations relating to insurance sector in the Kingdom, including the Cooperative Insurance Companies Control Law and Implementing Regulations. It is also subject to the supervision of SAMA, which is responsible for regulating the insurance sector in the Kingdom, including policies, rules, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements.

Since the Saudi insurance market is one of the ever-evolving emerging markets, it may limit the Company's ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's business, financial position and results of operations.

Also, if the Company fails to comply with the applicable laws, regulations and instructions, it would be subject to regulatory penalties including fines, suspension of work, and withdrawal of license to practice insurance activity, which could adversely affect the Company's activities and results of operations.

2-2-2 Risks Related to the issuance with the New Companies Law

On 22/02/1437H (corresponding to 04/12/2015) the Council of Ministers approved the issuance of a new Companies Law to replace the old Companies Law, which came into force in May 2016. The Companies Law imposes certain regulatory requirements that the Company is required to comply with and will require the Company to take appropriate action and amend some of the Company's rules which may affect its business plan or take a long time. The current Companies Law also imposed stricter penalties for violating its mandatory rules and provisions. According to the new Companies Law (Article 213), the penalty may reach SAR 500,000 and may sometimes reach SAR 5 million depending on the nature and type of the violation committed. The Company shall be subject to such penalties in the event of non-compliance with these rules and provisions, which would have a material adverse impact on the Company's business, financial position and results of operations.

2-2-3 Risk of Withdrawal of the License to Conduct Insurance Business

The Company obtained the license of SAMA to conduct its business on 29/8/1428H (corresponding to 11/09/2007G) and renewed it on 27/8/1437H (corresponding to 03/06/2016G) for a period of three years ending on 26/8/1440H (corresponding to 01/05/2017).

Article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that SAMA has the right to withdraw the license of the Company in the following cases:

- If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- If the Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations;
- If it is established that the Company has deliberately provided SAMA with false information in its licensing application;
- If the Company becomes bankrupt;
- If the Company deliberately conducts business in a fraudulent manner;
- If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations;
- If the insurance activity falls to a limit that SAMA deems unviable to operate under;
- If the Company refuses or delays payments of dues, without just causes;
- If the Company refuses to have its records examined by the inspection team appointed by SAMA; and
- If the Company fails to implement a final judgment against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to continue to conduct its business legally in Saudi Arabia, and that will adversely affect the Company's activity, continuity, financial position and results of operations. Shareholders may also lose all or part of their investments in the Company.

2-2-4 Solvency Requirements

As per Articles 66, 67 and 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company has to maintain certain solvency levels for different classes of businesses. It should be noted that as of December 31, 2016, the Company's financial solvency margin was less than 25%, which means that it did not comply with the minimum level.

SAMA imposes various remedial actions for the companies that fail to comply with the solvency requirements levels including the following:

- Increase the Company's share capital
- Amend product prices
- Decrease costs
- Stop underwriting new policies
- Liquidate certain assets
- Any other action deemed appropriate to the Company and approved by SAMA

In case of Company's failure to satisfy the solvency requirements within a timeframe set by SAMA and after taking aforementioned actions, SAMA may solicit appointment of an advisor (to provide the advice as necessary) or otherwise withdraw the license of the Company as stipulated by paragraph (d), clause (2) of article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law.

It should be noted that solvency margin may be affected primarily by the technical provisions that are needed to be retained, and which in turn are affected by the size of the insurance policies sold and regulations specifying statutory reserve. In addition, it is influenced by several other factors, including profit margin, return on investment and cost of insurance. If the Company continued to grow quickly, or if the required limits of solvency increase in future, the Company might have to increase its capital to meet the required solvency limits, which could lead to inflating the capital. If the Company is not able to increase its capital, it might be forced to limit the growth of activities and accordingly not to declare any dividends. Alternatively, it might result in application of proceedings against the Company that might reach withdrawal of its license in some exceptional cases. To be protected from these exceptional cases, the Company insures and renews profitable customers and eliminates customers with high loss rates in order to maintain the financial solvency margin, as well as developing the effectiveness of claims management and developing the Company's information systems to improve performance efficiency. The Company also reduced capital to SAR 120 million during the year 2017G.

2-2-5 Risks related to non-Saudi Employees

The Government of Saudi Arabia has taken measures and procedures to regulate the employment of non-Saudi workers, according to the Labor Law and Residence regulations, under which it seeks to take action against companies and foreign employees who do not work for the employers who sponsor them or carry out works not matching with their job titles according to their residence permits.

On the other hand, the job title in the work permit for two leading employees is different from that in their contract of employment, which will expose the Company to a fine ranging between (SR 2,000) two thousand Riyals as a minimum and (SR 5,000) five thousand Riyals as a maximum for each violating employee according to the schedule of violations and penalties imposed by the decision of the Minister of Labor pursuant to authorities granted to him under Article 230 of the Labor Code. The Company said that it will amend the residence permits to avoid any accountability that may be exposed to by the Ministry of Labor.

Imposition of fine or sanctions on the Company in case of non-compliance with the applicable labor regulations, By-Laws and instructions in this regard could adversely affect its business and results of operations.

2-2-6 Reporting Requirements

The Insurance Law and its Implementing Regulations require the Company to periodically file with SAMA financial statements and annual reports, prepared on regulatory accounting basis, and other information, including information concerning the Company's general business operations, capital structure, ownership, financial condition with annual statement of total contingent commissions paid. The Company could be subject to regulatory actions, sanctions and fines if SAMA believes that the Company has failed to comply with any applicable laws, regulations and directives. Any such failure to comply with applicable laws could result in imposing significant restrictions on the Company's ability to conduct its business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

2-2-7 Risks related to insurance market growth

The growth rate of the Saudi Arabian insurance market may not be as high and sustainable as currently anticipated by the Company. Also, the impact on the insurance industry in the Kingdom as a result of the increase in the number of the insured, along with the economic growth and increase of population in the Kingdom of Saudi Arabia, as well as the continued development in the field of social welfare, demographic changes, opening of the insurance market in the Kingdom to foreign companies is generally a future matter which is subject to a number of uncertainties that are beyond the control of the Company, which would adversely and materially affect the Company's business.

2-2-8 Risks related to Limited Historical Data on the Market

Although the Saudi market is not new to the concept of insurance, it has just recently been organized. Therefore, the required information and historical data to accurately build insurance programs have not been collected. Therefore, insurance companies depended, upon estimation of losses and assessment of premiums, on estimates not to the required level of precision, and to certain extent unreliable, and accordingly the rate of risks for insurance portfolios might increase, resulting in losses to the Company, which would adversely and materially affect the Company's business.

2-2-9 Risks related to Lack of Cultural Awareness of Insurance Importance in KSA

Society's perception towards the insurance sector is a primary factor for success of this sector. However, there are risks of society's perception about insurance sector in general as it sees that the sector as either not playing a key role or operating under scope of services non-compliant with principles of solidarity and Shariah. Society may lose confidence in the sector and this may adversely affect the Company's business, financial position and operating results.

2-2-10 Competition Risks

The insurance sector is an increasingly competitive environment, as the number of licensed insurance companies has reached to 30 and they are in severe competition to increase their market share. Competitive position of the Company is based on many factors, including financial strength, the geographical scope of its business, business relations with customers, premiums charged, terms and conditions of policies issued, services and products offered, including the Company's ability to design insurance programs, according to the requirements of the market, quick payment of claims, Company's reputation, experience and efficiency of the staff and their presence in the local market.

There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- Reducing margins and profitability
- Hindering the growth of the Company's customer base
- Reducing market share
- Increasing turnover of management and sales personnel
- Elevating operating expenses, such as sales and marketing expenses
- Increasing policy acquisition costs

2-2-11 Impact of Drop in Customers' Confidence

Customers' confidence in the international insurance sector is vital to enhance the sector strength. On the other hand, any drop in customers' confidence towards insurance sector may generally result in increase of cancellation of insurance policies and refund of monies, which may adversely affect the sales of the Company products, and consequently would affect its financial conditions.

2-2-12 Necessary Approvals for Offering New products and Renewal of Current Product Approvals

Based on the Cooperative Insurance Companies Control Law and its Implementing Regulations for offering new insurance products, the Company has to get SAMA's approval before marketing or offering any new product. Any delay in obtaining approvals for new products or renewal of approvals to current products will affect the Company's business and profitability in future.

2-2-13 Risks related to Economic and Insurance Industry Conditions

The financial performance of insurance companies depends significantly on economic conditions in the Kingdom of Saudi Arabia and on global economic conditions that affect the Kingdom's economy. The unstable global economic conditions and significant drop in oil prices may affect the Kingdom's economy. As the economic performance of the Company is somewhat related to the development of the economy in the Kingdom and in the world, the Company's financial results may be affected by changes that may occur, which may result in a decrease in the demand for products and services of the Company. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures and competition may affect the size of future claims and adversely affect the profitability and returns of the insurance companies.

The drop in oil prices significantly affect the local income, economic activities, individual income, and consequently will affect the individuals and companies' ability to obtain insurance products offered by the Company, and thus lower the Company's sales and adversely affect its financial position.

The increase in rents, which are affected by the economic variables in the Kingdom, will lead to higher costs for the Company. The Company may change its branch locations to other locations, and until the completion of the transfer the Company's business will slow down, and therefore, will adversely affect the Company's sales and results of operations.

Performance and increase in written premiums are generally related to the general economic conditions of the Kingdom. The real estate, engineering and marine insurance sectors witnessed a relatively slow down in the amount of premiums written due to the lower amounts insured, which had a significant impact on policy prices.

2-2-14 Insurance Business Cycle

Global insurance sector witnessed periodical changes with significant fluctuations in operating results due to competition, catastrophic events, economic and social conditions and other factors beyond the control of companies working in the insurance industry. That may result in periods with price competition due to the excess supply, and other periods during which companies will get better premiums. In addition, the increase in recurrence and magnitude of losses that affect the insured can have a significant impact on the mentioned business cycle. It is expected that the Company's insurance business cycles could be adversely affected as a result of these factors.

2-2-15 Political Risks

The tense political situation in the Middle East may have a negative impact on the Kingdoms economy, and thus on the Company's customers to renew their business with it and its ability to obtain new customers which could consequently have negative impacts on the Company's revenues, profits and results of operations. Such risks could have negative impact on capital markets and thus could lead to a substantial negative impact on the Company's share price and the investor's loss of all or part of the value of his investment.

2-2-16 Risks related to Lack of Control over Prices

The Company is committed to follow recommendation of the actuary report and SAMA instructions, which may require changes in prices of Company's policies. The high price of Company's products will lead to a lack of attractiveness of new customers and loss of current ones who will go to other companies. Any change in prices in the future may affect the Company's market share and accordingly its sales and results of operations.

2-3 Risks related to the Shares

2-3-1 Risks of Fluctuation in the Price of Rights

The market price of the rights may fluctuate due to changes in the market trends and outlook on the Company's shares. The permissible volatility of rights trading is different from the volatility of trading in the market at a rate of 10% up and down as a permissible fluctuation range. Therefore, there are speculative activities in the rights which are considered a significant risk affecting the share price movement.

2-3-2 Risks related to Potential Fluctuations in Share Price

The price of the share after the offering is subject to fluctuation due to several factors, including market trends, changes in the Company's sector, regulations and procedures, market competition, estimates by analysts, which may cause the share price to fall below the issue price, and there is no guarantee that will not happen. In addition, the market price of the Company may be adversely affected if shareholders sell large amounts of shares at once in the market after the offering. The shareholder must be aware of all risks that may affect the investment decision.

2-3-3 Risk of Non-profit or Sale of Rights

There is no guarantee of share profits by trading at a higher price. In addition, there is no guarantee that it can be sold at all. This indicates that there is no guarantee of sufficient market demand to exercise rights or to receive compensation from the Company.

2-3-4 Risks related to Future Data

The Company's future results and performance data cannot be actually predicted and may differ from those contained in this Prospectus. The Company's achievements and ability to evolve determine actual results that cannot be predicted or determined. The inaccuracy of data and results is one of the risks that the shareholder must identify so as not to affect his investment decision.

2-3-5 Risks relating to the Possibility of Issuing New Shares

If the Company decides to issue new shares, the ownership of the shares will fall pro rata, in addition to the right to vote and gain profits, which may affect the market price of the share.

2-3-6 Lack of Demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights. Moreover, there can be no assurance that there will be sufficient market demand for the New Shares purchased by an investor either (a) through exercise of the Rights, (b) during the Rump Offering or (c) in the open market.

2-3-7 Potential dilution of ownership

If the rights holders do not subscribe fully to the new shares, their ownership and voting rights will be reduced. There is also no guarantee that in case the rights holder is restricted to sell his rights during the trading period, the proceeds he receives will be sufficient to compensate him in full for the decrease in his ownership in the capital of the Company as a result of increasing its capital.

2-3-8 Failure to Exercise the Rights in a Timely Manner

If eligible shareholders are unable to exercise the rights of subscription properly by the end of the subscription period, based on their Rights, there is no guarantee that an amount of compensation will be distributed to non-participating eligible shareholders or those who have not performed the IPO procedures properly.

2-3-9 Risks related to Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company, general economic conditions. Increase in capital may lead to dilution in the dividends in futures on the basis that the Company's profits will be distributed to a larger number of shares as a result of increasing its capital.

The Company does not give any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations and conditions the Company's By-Laws.

3. Saudi Economy and the Insurance Sector¹

3-3-1 Overview of the Kingdom's Economy

Saudi Arabia maintained its position as the largest economy in the Middle East in 2015G with a nominal GDP of SAR 2,449.6 billion. However, the fall in oil prices in 2015G negatively impacted the nominal GDP, which fell to this level after reaching SAR 2,791.3 billion in 2013G.

Figures show that real GDP in Saudi Arabia grew by 2.7 percent, 3.6 percent, and 3.4 percent for the years 2013, 2014 and 2015G, respectively. Public spending on transport and infrastructure is expected to decline in 2016G. The government is also working on plans to diversify the Kingdom's economy away from oil. For example, both the government and the General Authority for Civil Aviation are considering the possibility of establishing free zones at Jeddah and Riyadh airports. These Zones aim to attract private foreign investment by facilitating access to commercial licenses and visas, as well as increasing the flexibility of the taxation policies. Economic diversification efforts are also focused on telecommunications, petrochemicals, tourism and mining sectors. Growth in GDP is expected to exceed 1.2 percent, 1.9 percent, and 2 percent for years 2016, 2017 and 2018G respectively

3-3-2 Annual Income in Saudi Arabia

Annual income grew at a compounded annual growth rate of 4.9 percent between 2013G and 2015, reaching SAR 974.4 billion, while the relatively high per capita income in Saudi Arabia was SAR 30,895 in 2015G. It is expected to grow at a CAGR of 1.8 percent until 2018G. Inflation in 2015G reached 2.2 percent and is expected to rise to 3 percent in 2018G.

3-3-3 Diversification of Economy and Low Unemployment in the Forecast Period

Saudi Arabia is the most populous country in the GCC with a population of about 31.5 million in 2015G. It is expected that annual growth rate will be 1.8 percent, and the population will reach 33.3 million by 2018G. Annual income grew at a CAGR of 4.9 percent between 2013G and 2015G, reaching SAR 974.4 billion. The relatively high per capita income in the Kingdom of Saudi Arabia reached SAR 30,895 in 2015G (annual). It is expected to grow at a CAGR of 1.8 percent until 2018G. Inflation in 2015G reached 2.2 percent and is expected to rise to 3 percent in 2018G.

Table (3-1): Population Indicators

Category	Unit	2013G	2015G	2018G (expected)	CAGR 2013-2015	CAGR 2015-2018
Total population	thousand	30,201.10	31,540.40	33,299.90	2.20%	1.80%
Number of expatriates	thousand	9,700	10,100	10,400	3.55%	-
Male population	thousand	17,072	17,836	18,762	2.20%	1.70%
Female population	thousand	13,129	13,705	14,538	2.20%	2.00%
Number of households	thousand	5,409.60	5,661.80	5,994.10	2.30%	1.90%

Source: National Statistics, United Nations, International Monetary Fund and OECD

Saudi Arabia is the most populous country in the GCC with a population of about 31.5 million in 2015G. It is expected that annual growth rate will be 1.8 percent, and the population will reach 33.3 million by 2018G. Annual income grew at a CAGR of 4.9 percent between 2013G and 2015G, reaching SAR 974.4 billion. The relatively high per capita income in the Kingdom of Saudi Arabia reached SAR 30,895 in 2015G (annual). It is expected to grow at a CAGR of 1.8 percent until 2018G. Inflation in 2015G reached 2.2 percent and is expected to rise to 3 percent in 2018G.

Table (3-2): Macroeconomic indicators

Category	Unit	2013	2015	2018 (expected)	CAGR 2013-2015	CAGR 2015-2018
Nominal GDP	SAR million	2,791,260.80	2,449,572	2,576,589	(6.30%)	1.70%
GDP per capita	SAR	92,422.50	77,664.60	77,375.30	(8.30%)	(0.10%)
Inflation	%	3.50%	2.20%	3.00%	N/A	N/A
Unemployment rate (economic active population rate)	%	5.60%	5.80%	5.40%	N/A	N/A
Annual income	SAR million	844,643.30	974,426	1,085,543.10	4.90%	3.70%
Per Capita Income	SAR	29,241.51	30,894.54	32,598.99	2.60%	1.80%

¹ General Authority of Statistics: The only official reference for statistical data and information in the Kingdom of Saudi Arabia

Category	Unit	2013	2015	2018 (expected)	CAGR 2013-2015	CAGR 2015-2018
Total consumer spending	SR	784,408.4	906,846.1	1,013,266.4	7.50%	3.80%
Consumer spending on food	SR	182,587.2	205,721.2	220,755.1	6.10%	2.40%

Source: National Statistics, United Nations, International Monetary Fund and OECD)

3-3-4 Insurance sector

The insurance market in Saudi Arabia is one of the largest and fastest growing markets and is influenced by factors and risks that are different from the rest of the sectors according to its nature. Compulsory insurance lines are one of the market drivers for growth such as health insurance and motor insurance, which represent the largest proportion of insurance products. In the meantime, the large competition in the market and the growth of the number of competitors are considered one of the most important risks faced by insurers. The Council of Cooperative Health Insurance (CCHI) is one of the main drivers for the growth of the health insurance application. The regulations that are issued about the compulsory insurance coverage of various sectors such as non-Saudis in the private sector, drive the demand and market growth. Also, the increase of interest rates on the dollar support the investment returns of insurance companies. Further rise in interest rates is expected so that will result in additional profits and growth of the sector coinciding with that rise.

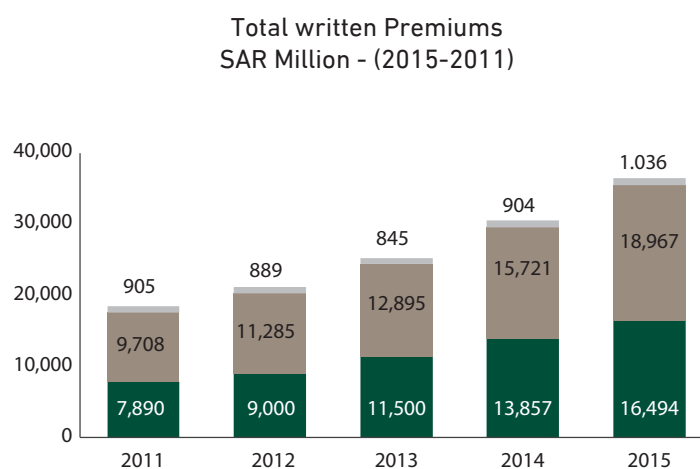
As for the insurance companies listed in the Saudi market, the sector is characterized by degree of acquisition of the market size. The market share of BUPA Arabia, Tawuniya, MedGulf Insurance, Malath Insurance, and Al Rajhi Takaful accounted for 22.2%, 22.5%, 8.9%, 6.1% and 5.4% respectively in 2016G² Insurance companies qualified by CCHI exercise general insurance, health insurance, protection and savings insurance.

Table (3-3): Gross Written Premiums

SR Million	2011	2012	2013	2014	2015
General Insurance	7,890	9,000	11,500	13,857	16,494
Health Insurance	9,708	11,285	12,895	15,721	18,967
Protection and Savings Insurance	905	889	845	904	1,036
Total	18,504	21,174	25,239	30,482	36,497

Source: Insurance Market Report 2015G – SAMA

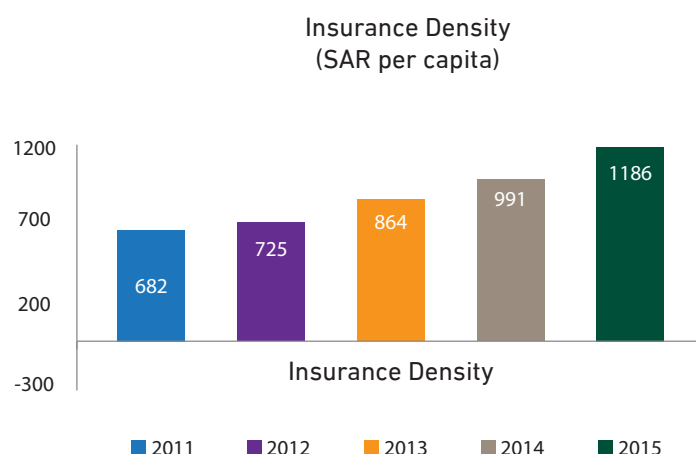
In 2015G, the overall written premiums were SAR 36,496 million, representing an increase of 19.6% from 2014G. Health insurance accounted for the largest share of 52%, general insurance share accounted for 45% and other savings and savings insurance accounted for 3%. Health insurance sustained the largest share during the previous five years. Insurance activities vary by area such as aviation insurance, energy, maritime, protection and savings, accidents and liabilities, engineering, property, motor and health. Health insurance sustained its size among other insurance activities, while the motor insurance ranked second in 2015G.



Insurance penetration of the Gross Domestic Product (GDP), witnessed a CAGR of 15% during the last five years of 2015G. As for insurance penetration in terms of non-oil GDP, it also witnessed a rise to 2.1% in 2015G compared to 1.56% in 2012.

The population of Saudi Arabia was about 31.5 million in 2015G. In line with this growth, the per capita spending on insurance services increased by 15% from 2011 to 2015G. As a result, insurance density (gross written premiums per capita) increased by 19.7% from 2014G to 2015G. This insurance density in Saudi Arabia is lower than in the other Gulf countries, which indicates the possibility of significant growth in the insurance market.

Total gross claims paid in 2015G increased to SAR 24.5 billion from SAR 20.3 billion in 2014G, representing an increase of 20.3%. The size of health insurance and motor insurance claims paid was the largest. Aviation insurance recorded the highest growth rate by 621.7% in 2015G compared to 2014G.



In view of the shareholders' assets of the insurance companies, the investments represents the largest share of total shareholders' assets. Investments vary between deposits, loans, fixed income, stocks, and others. In 2015G, insurance companies' investments realized SAR 10.86 million. Deposits are one of the largest investments made by insurance companies, either in the assets of the insured or the shareholders assets. Total assets of insurance companies amounted to SAR 54.12 billion in 2015G.

The total number of employees in the insurance sector reached 9682 employees in 2015G, with Saudization rate of 59% which is commensurate with the requirements of Saudization rate of 30% that has to increase with future plans.

Table (3-4): Employees in the Insurance Sector

Number of Employees	2014	2015
Non-Saudis	4,150	3,976
Saudis	5,409	5,706
Total	9,556	9,682
Saudization Rate (%)	57%	59%

In 2016G, SAMA issued comprehensive circulars for cooperative insurance companies to update subscription mechanisms and pricing requirements for motor insurance and health insurance. Also, the update included the regulation of claims settlement processes for compulsory motor insurance. CCHI has launched the Unified Health Insurance Policy for Employers.

4. The Company

4-1 Company Overview

Malath Cooperative Insurance Company was established pursuant to the Royal Decree No. M/60 on the 18th of Ramadan 1427 H corresponding to 11 October 2006, by a group of Saudi investors with a paid-up capital of three hundred million (SAR 300,000,000) divided into thirty million (30,000,000) Ordinary Shares with a par value of ten Saudi Riyals (SAR 10) per share, as a Saudi joint stock company based in Riyadh, Sulaimaniya District, Mohammed bin Abdul Aziz Road - Tahlia Center 1st Floor, Kingdom of Saudi Arabia. A percentage of 47.48% of the capital was offered for the Initial Public Offering (IPO) for the period from 03 to 12 February 2007G. On 09 April 2007G, and per the Commercial Registration No. 1010231787, the establishment of Malath as a public shareholding company that is engaged in cooperative insurance and reinsurance activities according to the regulations issued by the Saudi Arabian Monetary Agency and the Cooperative Health Insurance Council was announced. The Company was listed on the Saudi Stock Exchange (Tadawul) on 05 May 2007G. On 05 May 2010, the ban on founding shares was lifted and the Founding Shareholders became free to dispose of their shares. Malath is considered the second company to obtain a license to practice insurance activity in the Kingdom of Saudi Arabia. Since its inception, Malath has paid particular attention to the development and qualification of the Saudi youth in the insurance sector, with a Saudization rate of 65% and Saudis occupy most of the Company's leadership positions. On 29/03/2017G corresponding to 02/07/1388H, the General Assembly approved the reduction of the Company's Share Capital from SAR 300 million to SAR 120 million by canceling 18 million shares. The new Company's Share Capital has become SAR 120 million divided into 12 million shares. On the same date, the Company canceled the reinsurance activity.

No shareholder has ownership of 5% or more of the Share Capital.

The Company is engaged in the provision of integrated products in the field of the various types of general insurance, which include: engineering insurance, fire and property insurance, marine insurance (goods and structures), miscellaneous insurances and Motor insurance. The Company also provides its services in cooperative health insurance for groups and individuals. The Company serves its customers through its head office in Riyadh and its three regional administrations in the Central, Western and Eastern regions, and its branches and agents spread throughout the Kingdom in addition to the customer service center, motor claims centers and an administration specialized in health insurance.

The Board of Directors recommended in its meeting convened on 15/03/1438H (corresponding to 14/12/2016G) to increase the Company's Share Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000), with a nominal value of SAR 10 after obtaining the necessary regulatory approvals. The Company obtained the final approval of the Saudi Arabian Monetary Agency (SAMA) per the letter no. 381000036835 dated 04/04/1438H (corresponding to 02/01/2017G) to increase the Company's Share Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000), by issuing Rights. The Company's current capital is one hundred and twenty million Saudi Riyals (SAR 120,000,000) divided into twelve million (12,000,000) Ordinary Shares with a Nominal Value of ten Saudi Riyals (SAR 10) per share.

The Company confirms that since its inception and until the issuance of this Prospectus, it has not increased its Share Capital through issuing Rights.

4-2 Company's Vision

To be the preferred insurance company in the Kingdom of Saudi Arabia.

4-3 Company's Mission

Provide diverse, innovative and competitive insurance products and services that will add value to customers and clients with high efficiency.

4-4 Company's Strategy

The management's philosophy and strategy are directly based on continued and sustainable growth while achieving profitability supported by reliability and safety to customers and shareholders alike. As a result, the Company has hired a strategic consulting firm to identify the Company's strengths and accentuate them and identify the weaknesses to promote them. The Board adopted a five-year plan in cooperation with the relevant committees to achieve the required objectives and compare the established achievements. Thus, the Company has established a special department for managing strategic projects.

4-5 Company's Values

The Company adopts a set of basic core values that will define its obligations and commitments towards its customers, employees and related parties, through which its objectives are achieved:

- **Credibility**

The Board members and executives have extensive business management experience in the Saudi market, and the obligation to maintain efficiency and accuracy in settling claims in a timely and effective manner.

- **Transparency**

Quality efficiency is centered on the transparency between the Company and the client to know the rights of the two parties in full and thus improve the service and provide a high quality service.

- **Speed and flexibility**

Compensations, procedures and review of decisions require speed and flexibility to organize claims and approvals.

- **Quality**

The Company is keen to consolidate the principles of quality and provide its highest levels to meet the needs of its customers. It believes that the quality reduces the volume of incurred losses and damages.

- **Integrity**

Adhering to the rules and conduct of professional ethics in conjunction with responsibility, transparency and credibility.

- **Responsibility**

Seeking to provide a quality innovative work with high efficiency.

4-6 Strengths and Competitive Advantages of the Company

The Company enjoys a number of competitive advantages including:

- **Has sufficient experience in the field of work**

Malath is the second company to obtain a license to practice insurance activity in the Kingdom of Saudi Arabia, which supports its experience in the field of insurance and dealing with customers professionally. The management team of the Company is one of the pioneers in the field of business management in the Saudi market. Malath Company supports the national cadres and attracts the scientific and practical expertise in all branches of insurance. The female component also puts its mark by constituting 11% of the total workforce in 2016G. The Company is keen in providing a number of training courses and workshops to acquire professional skills and expertise aimed at developing the environment and work. One of the most important courses is a specialized course to help employees pass the Insurance Fundamentals exam.

- **Diversity of Insurance Services**

With the increased number of insurance and reinsurance companies listed in the Saudi market which amounted to 35 companies in 2015G, and in line with the competitive environment in the insurance sector, Malath provides the latest insurance products that are consistent with the insurance laws and regulations issued by the Kingdom of Saudi Arabia covering various types of sectors including health, motor and general insurance in order to provide all means of insurance and promote the customer service.

- **Provide Subject matter experts in inspection and risk management**

In order to meet the need for prompt decision-making and the careful and accurate examination of claims, Malath paid careful attention to risk management through the formation of review committees composed of subject matter experts in inspection and risk management, and subsequently making recommendations for taking the necessary action.

- The Company deals with high financial rating international insurance brokers.
- The Company branches and points of sale for customer service (12 branches, 3 claim centers and 16 points of sale) are widely spread.

Malath serves all segments of society, whether individuals, small groups, companies and others through the spread of branches and networks in different regions of the Kingdom of Saudi Arabia.

4-7 Company Activity

4-7-1 Company Activity and Products

Exercise the Cooperative Insurance and all related matters to include reinsurance, agencies, representation or correspondence or mediation to achieve its purposes either in the field of insurance or investment of funds and the ownership and movement of funds and fixed cash, sell or replace or lease them directly or in accordance with the provisions

of a regulation by companies established, purchased or jointly with other entities. The Company practices its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the applicable regulations and rules established in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

The Company serves its customers through its head office in Riyadh and its three regional administrations in the central, western and eastern regions, 12 branches, 3 claim centers and 16 points of sale (6 of which are operated by Malath and the rest are operated by agents appointed by Malath and its agents spread throughout the Kingdom, as well as a customer service center, motor compensation centers and a specialized department in health insurance. The Company's activity is to provide integrated products in the insurance field of its various types:

- **Health insurance**

Includes group health insurance and health insurance for individuals and small groups. This sector accounts for 4.4% of total premiums in 2016G.

- **Motor Insurance**

It includes mandatory insurance against third parties and damage to motor and also includes comprehensive insurance. This sector accounted for 87.7% of total premiums in 2016G.

- **General Insurance**

Including property insurance, engineering insurance, accident insurance, marine insurance, group protection insurance. This sector accounted for 7.9% of total premiums in 2016G.

Insurance of various accidents includes third party liability insurance, product liability insurance, movable and in-store insurance, personal accident insurance, international travel insurance, security insurance, glass insurance, employee injury insurance and employer liability.

Table (4-1): Licenses

Type of License	License No.	Issue Date	Issuer
Al-Hayat Credit Group Product	381000022536	28/02/1438H	SAMA
Marine freight insurance	IS/40988/724	29/10/2007G	SAMA
Fidelity Guarantee Insurance	IS/40988/724	29/10/2007G	SAMA
Cash Insurance	IS/40988/724	29/10/2007G	SAMA
Glass Insurance	IS/40988/724	29/10/2007G	SAMA
Commercial Real Estate Insurance	IS/2332/81	19/01/2008G	SAMA
Medical Malpractice Insurance	IS/49191/1828	18/10/1431H	SAMA
Personal Accident Insurance	IS/50774/1063	08/01/2008G	SAMA
Engineering Products Insurance	IS/50774/1063	08/01/2008G	SAMA
General Third Party Liability Insurance	IS/49190/1827	18/10/1431H	SAMA
Product Insurance	IS/49190/1827	18/10/1431H	SAMA
Occupational Compensation Insurance (Frozen)	IS/40988/724	29/10/2007G	SAMA
Burglary (Home Theft) Insurance	IS/50774/1063	08/01/2008G	SAMA
Life Group Insurance	IS/40988/724	29/10/2007G	SAMA
Contractual Liability Insurance	341000018235	11/02/1434H	SAMA
Motor Insurance	IS/50774/1063	08/01/2008G	SAMA
Travel Insurance	IS/54650/2130	30/10/2010G	SAMA
Homeowners Insurance	371000069454	20/06/1437H	SAMA

4-7-2 Companies in which the Company owns stakes or shares

Table (4-2): Companies in which the Company owns shares

Name of the Company	Number of Shares Owned	Value (SAR) (SAR 10 per share)	Value (SAR)	Ownership percentage (%)
Najm Insurance Company	192,308	1,923,080	50,000,080	3.85%
Saudi Cooperative Reinsurance Company ("Re")	100,000	1,000,000	1,000,000,000	0.10%

1- Najm Insurance Services Company ("Najm")

Najm Company is a Saudi limited liability company that performs the work of inspection expert and loss estimator and insurance claims settlement specialist.

2- Saudi Cooperative Reinsurance Company ("Re")

Re is a Saudi joint stock company licensed by SAMA Saudi Arabia as a reinsurer.

4-7-3 Subsidiaries outside the Kingdom

There are no subsidiaries for Malath Insurance Company nor does it have any assets outside the Kingdom.

Training and Development Program of Malath Insurance Company:

Malath offers several development and training programs for its employees in terms of English language development and business carried out by the Company and its products. The Company works to provide these programs throughout the year to its male and female employees.

Table (4-3): Training and Development Programs

	Name of Program	Date
1	English language development	07/2016G
2	Fundamentals of Insurance	07/2016G
3	Motor insurance	08/2016G
4	Interpersonal skills	09/2016G
5	Principles of Services	10/2016G
6	Health Council Rules and Regulations Insurance	10/2016G
7	Health insurance operations	11/2016G
8	Correcting Najm Data	11/2016G
9	All Risk Contractor Insurance and Construction	11/2016G
10	Cash Insurance	12/2016G
11	Fidelity Guarantee	12/2016G

4-8 Development Policy

Malath adopts the policy of continuous development as a platform for enhancing the level of skills and knowledge of its employees at all levels and for all departments and sections, whereby achieving the highest levels of performance to carry out the work in a highly professional manner through several channels such as training classes, automated labs as well as on-the-job training using specialized, technical, and automated courses. Its priorities are to qualify and assist its employees in obtaining the certificates and licenses required to practice the insurance profession, according to its field and specialization, in order to encourage them in instilling loyalty to the Company. There is no policy for product development during the past three fiscal years.

4-9 Business Interruptions

On 28/2/11/1438H (corresponding to 28/11/2016G), Malath received SAMA's Saudi Arabian Letter No. 381000022825 dated 28/02/2016G (28/11/2016G) regarding the Company's failure to fully comply with the statutory requirements related to the settlement of claims for Motor insurance and handling customer complaints. Accordingly, the Company was prevented from accepting new subscribers in motor insurance.

On 13/04/1438 AH (corresponding to 11/01/2017G) Malath received letter No. 381000041057 dated 13/04/1438H (corresponding to 11/01/2017G) containing SAMA's decision to allow the Company to accept new subscribers in motor insurance activity and subsequently issuing new motor insurance documents as of Wednesday 13/04/1438H (corresponding to 11/01/2017G)

4-10 Employees and Saudization

According to the provisions of Article (26) of the Saudi Labor Law, the percentage of Saudi workers employed by the employer shall not be less than seventy five percent (75%) of the total number of his employees. In the event that jobs are not available to Saudi citizens, because of lack of technical proficiencies or qualifications, the Minister is entitled to temporarily reduce the Saudization rate.

In addition, the Establishment Incentive Program for the localization of jobs "Nitaqat" was approved by the Minister of Labor Decree No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G) and based on the decision of the Council of Ministers No. (50) Dated 21/04/1415H (Corresponding to 26/09/1994G), which came into force on 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Labor has developed Nitaqat program to stimulate enterprises to localize jobs and evaluate their performance based on specific Nitaqat such as platinum and green (this Nitaq is in turn divided into a low green range, average green range, high green range), yellow range and red range, So that the platinum and green upper bands are rewarded and deal firmly with the red Nitaq, while giving a longer leeway for installations within the yellow Nitaq to correct their status.

The Ministry of Labor has classified the Company as a facility engaged in insurance activity and business services. According to the Nitaqat Guide issued by the Ministry of Labor, Issue No. 1/1435H, establishments must achieve the percentages shown in the table below at least to enter the green zone.

Insurance activity												
Number of Employees		Distribution of Nitaqat according to localization percentages as announced by the Ministry of Labor										
From	To	Red		Yellow		Low Green		Average Green		High Green		Platinum
10	49	0%	4%	5%	9%	10%	19%	20%	29%	30%	39%	40%
50	499	0%	4%	5%	19%	20%	31%	32%	43%	44%	54%	55%
500	2999	0%	4%	5%	19%	20%	31%	32%	43%	44%	54%	55%
3000	-	0%	4%	5%	19%	20%	31%	32%	34%	44%	54%	55%

The Platinum Nitaq (zone) gives the employer several advantages, the most important of which are the following: Issuing new visas for any occupation required by the establishment, issuance of additional visas, the ability to change the occupations of expatriate workers to other occupations (except those exempted by Cabinet decisions or orders) and the ability to renew work permits for expatriate workers. To apply for new visas and to change the profession of its employees and to grant the Company alternative visas to its workers instead of departing workers by marking a final exit from the Kingdom and the ability to renew work permits for expatriate workers who work for the employer. The Green Zone also grants the employer several advantages, the most important of which are summarized as follows: Apply for issuing new visas required by the installation, issue additional visas, and change the profession of its employees and give the Company alternative visas for its workers in lieu of the departing workers on exit only visas, and the ability to renew work permits for expatriate workers. The entry into the yellow zone has several consequences, the most important of which are: the suspension of the application for new visas, the non-transfer of expatriate labor services, the non-permitting of changing occupations for expatriate workers, and the refusal to allow for the renewal of work permits for expatriate workers, if this continues for (6) years or more within the Kingdom, and the issuance of work permits to new expatriate workers is not allowed. However, the employer may renew the work permits of the expatriate worker that he works for provided that the days remaining in the worker's Iqama shall not exceed (3) months upon the renewal. As for the red range, entry into this zone has several consequences, the most important of which are: the non-permitting the change of professions for expatriate workers working for the employer, not allowing the issue of any new visas, and not allowing the opening of a file for a new establishment or branch, and not allowing the renewal of work permits for its workers.

In addition to the fact that Article (79) of the Implementing Regulations obligates the insurance companies that the percentage of Saudi employees working for them shall not be reduced to below thirty percent (30%) at the end of the first year with the possibility of increasing this percentage annually.

On 11/05/1438H (08/02/2017G), a circular was issued by SAMA requiring all insurance companies to localize all positions related to vehicle claims administrations, including claim branches and receiving centers, examiners, debris management and reimbursement (redemption). Also, all jobs related to customer care departments and functions related to complaints handling functions for all insurance branches. All jobs of the various types, grades and levels, and functions in the departments specified above were included. As part of their work under this circular, insurers must provide the Corporation with monthly reports to indicate the actions taken in this respect and the extent to which the Company has progressed in the localization of jobs. Insurance companies are required to complete the localization of the jobs mentioned in the

circular by a percentage of (100%) by 08/10/1438 H (corresponding to 02/07/2017G). SAMA Saudi Arabia also affirmed the duty of the insurance companies to commit to training and qualifying their employees in all departments and all insurance branches and to prepare for the implementation of the instructions of SAMA which will come in this regard, which will oblige companies to increase the localization rates in all jobs, mainly the technical and leadership positions. SAMA will take all legal measures towards insurance companies that are not bound by the requirements of this circular.

The following table shows the number of employees (Saudis and non-Saudis) in the Company by department for the previous three years (2014G, 2015G and 2016G).

Administration	As at 31 December 2014G			As at 31 December 2015G			As at 31 December 2016G		
	Saudi	Non Saudi	Total	Saudi	Non Saudi	Total	Saudi	Non Saudi	Total
Executive Management	4	2	6	3	2	5	3	2	5
HR	7	0	7	8	0	8	9	0	9
Administrative Affairs	6	5	11	6	4	10	6	3	9
Information Technology	1	20	21	2	25	27	3	26	29
Compliance and Commitment	2	0	2	3	0	3	2	0	2
Sales And Marketing	117	45	162	119	44	163	102	32	134
General Insurance	7	14	21	6	16	22	5	12	17
Life Insurance And Health Insurance	17	39	56	2	36	38	3	32	35
Motor Insurance	80	7	87	102	11	113	94	12	106
Finance	15	15	30	23	14	37	20	14	34
Project Management	2	0	2	1	0	1	2	0	2
Risk Management	0	0	0	0	0	0	0	0	0
Internal Audit	1	1	2	0	1	1	2	0	2
Total	259	148	407	275	153	428	251	133	384
Percentage	63.64%	36.36%	100%	64.25%	35.75%	100%	65.36%	34.64%	100%

Source: Company

The Company has 389 employees including 253 Saudi employees and 136 non-Saudi employees with a Saudization rate of 65.04% as of 18/1/2017G. The Company is currently under the platinum zone of the Nitaqat program for Saudization

The Company is constantly seeking to increase the number of Saudi employees and will follow a solid plan of recruitment, training, development and all other procedures that will meet the Saudization requirements. The following table shows the Company's commitment to gradually increase the percentage of Saudi employees in the coming years according to the following:

Year	Saudi	Non Saudi	Total	Percentage	Executive Management (Saudi)	Executive Management (Non-Saudi)	Total	Percentage
2017	230	125	355	65%	3	4	7	43%
2018	250	115	365	68%	4	3	7	57%
2019	265	110	375	71%	4	3	7	57%

Source: Company

The Company is committed to the implementation of most regulations and instructions issued by the competent authorities for the employment of non-Saudi employees and most of them work in a systematic manner and under the Company's sponsorship.

Reference is made to Circular No. 38639/CE/1051 dated 03/08/1430H (corresponding to 25/07/2009G regarding the requirement to obtain the Insurance Fundamentals Certificate (IFCE) for employees in certain positions in insurance companies, it was obvious that among the employees there are (114) employees who are eligible to receive this qualification. These are positions whose occupants are required to obtain this qualification according to SAMA instructions: Compliance Manager, Manager and Internal Audit staff, and all employees who have direct contact with customers and policyholders including (80) employees who have received an IFCE certificate and 34 employees who were not been able to obtain the qualification certificate (IFCE) and there is no risk to the Company as SAMA's instructions allow the trainee to undergo five

tests per year so that he can pass the test. The employee has the right to retry the following year for another 5 attempts to qualify. Noteworthy, (29) employees whose positions do not require the (IFCE) certificate have been able to obtain this certificate in their own volition and to support the Company in the development of the qualifications of its employees.

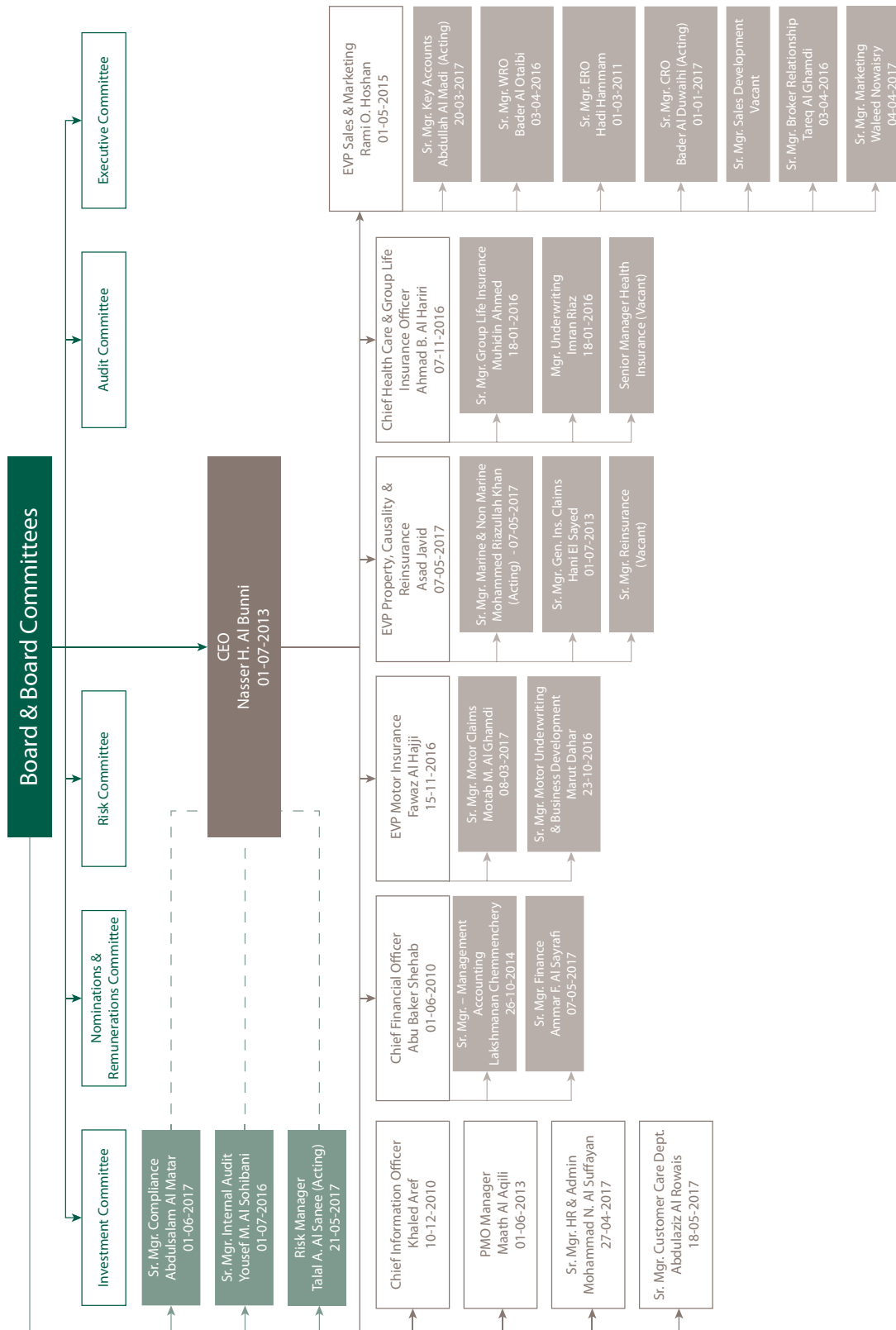
4-11 Acknowledgment of no intention to change the nature of business

Malath Directors declare that there is no intention to make any material change in the nature of the Company's business.

5. The Company Structure

5-1 Company Organizational Structure

Malath Cooperative Insurance Company has set and designed the general organizational structure that meets the Company's needs, based on the current works and departments. The following table shows the current organizational structure of the Company:



5-2 Company Board

The Company Board of Directors approves planning of strategic, accounting, regulatory and financing policies which are applied and adopted by the Company. Some of the Board's responsibilities are:

- Setting the overall strategy of the Company, key business plans and risks management policy.
- Overseeing and implementing the Company general policy, setting the administrative and technical plans required to manage the Company business and achieve its objectives.
- Reviewing the Company's organizational and human resource structures on periodic basis and approving them.
- Reviewing the effectiveness of internal control procedures in the Company on annual basis.
- Setting the policies and procedures, which ensure that the Company respects the laws and regulations and adheres to disclosure of substantial information.
- Representing the Company in its relationships with third parties and governmental and private institutions.

The Board of Directors is comprised of the following eight members elected by the Company General Assembly:

Table (5-1): Board Members

Name	Post	Membership	Date of Appointment	Nationality	Age	No. of Shares	Percentage
Eng. Mubarak Abdullah Al-Khafa	Board Chairman	Non-Executive/ Non-Independent	6/4/2016	Saudi	71	32,158	0.268%
Mr. Mohammed Ali Al Amari	Deputy Chairman	Non-Executive/ Non-Independent	6/4/2016	Saudi	74	3,426	0.029%
Mr. Mohammed Saleh Al-Adel	Member	Non-Executive/ Independent	6/4/2016	Saudi	33	400	0.003%
Mr. Fawaz bin Mohammed Al Fawaz	Member	Non-Executive/ Independent	6/4/2016	Saudi	56	423	0.004%
Mr. Abdulmohsen Mohammed Al Saleh	Member	Non-Executive/ Non-Independent	6/4/2016	Saudi	81	400	0.003%
Mr. Obaid Abdullah Al Rasheed	Member	Non-Executive/ Independent	6/4/2016	Saudi	60	400	0.003%
Mr. Mohammed Abdulaziz Alnamlah	Member	Non-Executive/ Independent	6/4/2016	Saudi	38	400	0.003%
Mr. Tariq Othman Al Abduljabbar	Member	Non-Executive/ Independent	6/4/2016	Saudi	49	400	0.003%
Mr. Mohammed Sulaiman Al Hejailan*	Member	Non-Executive/ Non-Independent	6/20/2017	Saudi	60	-	-

Source: Malath

*The appointment was on 25/9/1438H (corresponding to 20/06/2017G) and will be submitted to the first shareholders' General Assembly meeting for approval

Qualifications and Experiences of Board Members and Secretary

Following is a summary of the qualifications and experiences of the Board members and secretary:

Table (5-2): CV of Mubarak Abdullah Al-Khafra

Age	71 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Industrial Engineering, , 1973G, United States of America • Graduate Diploma – Canada, 1976G
Experiences	<ul style="list-style-type: none"> • Member of Shura Council since 03/03/1418H • Deputy Minister of Industry and Electricity for Industrial Affairs • Acting Deputy Minister of Industry and Electricity for Industrial Affairs • Secretary General of Foreign Investment, Ministry of Industry and Electricity • Head of Engineering and Projects, Ministry of Industry and Electricity • Head of Industrial Protection, Ministry of Industry and Electricity
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> • Board Chairman, Malath Cooperative Insurance Company (12/2007G – to date) (joint stock public company) • Board Chairman, Alawwal Bank (2008G – to date) (joint stock company) • Board Chairman, National Industries Company (1998G – to date) (joint stock company) • Board Chairman and Managing Director, Tasnee and Sahara Olefins Company (2006G – to date) (closed joint stock company) • Gadara Saudi Poly-Olefins Company (2001G – to date) (a limited liability company)

Source: Malath Insurance Company

Table (5-3): CV of Mr. Mohammed Ali Al Amari

Age	74 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Physics and Mathematics, King Saud University, 1974G. • Course in banks businesses and management, Chase Manhattan Bank, New York , 1980G • Many courses and symposiums in banking and administrative fields, 1980G • Writer and Lecturer in economic, banking, real estate and insurance fields, 1980G
Experiences	<ul style="list-style-type: none"> • Board Chairman, Tabuk Fishery Company (12/2012G – to date) • Deputy Chairman, Malath Cooperative Insurance Company (2007G – to date) • Board Chairman, Wajif Insurance Brokerage Company (2007G – to date) • Board Member, Tabuk Cement Company (2008G – 2014G) • Board Chairman and Managing Director, Food Products Company (2002G – 2007G) • General Manager, Food Products Company (2001G – 2002G) • Deputy General Manager, Food Products Company (1999G – 2001G) • General Manager, Wajif Company for Trade (Consultants and Insurance Brokers) (1997G – 2006G) • General Manager, Saudi Real Estate Company (1995G – 1997G) • Assistant Manager, Local Banking Affairs, Riyadh Bank General Administration (1987G – 1995G) • Regional Manager of Riyadh Bank, Eastern Province (1987G – 1987G) • Deputy Regional Manager of Riyadh Bank, Eastern Province (1984 – 1986G) • Assistant Regional Manager of Riyadh Bank, Central Province (1983 – 1984G) • Projects Manager, Saudi Industrial Development Fund (1979G – 1983G) • Teaching Assistant, Department of Physics, College of Science, King Saud University (1974G – 1979G)

Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> • Board member, Saudi Real Estate Company (1987G – 1992G) (joint stock company) • Board member, Saudi Company for Industrial Exports (1989G – 1993G), (joint stock company) • Board member, Saudi Company for Industrial Exports (2001G – 2004G) (joint stock public company) • Board member, International Insurance Company (Royal Sun Alliance) (1988G – 1991G) (a limited liability company) • Board member, UBAF Hong Kong Bank (1991G – 1993G) (closed joint stock company) • Board Member, MasterCard International, Middle East and Africa Region (1995G) (a foreign company branch, joint stock company) • Board member, Tiaba Investment and Real Estate Development Company (1995G – 1997G), (joint stock company) • Audit Committee membership, Saudi American Bank (1997G) (joint stock company) • Board Member, Al Baha Investment and Real Estate Development Company (1997G – 2003G) (joint stock company) • Board member, Saudi Orix Leasing Company (2000G – 2001G) (closed joint stock company) • Board member, Food Products Company (2001G – 2007G) (joint stock company) • Board member, Jazan Agricultural Development Company (2001G – 2007G) (joint stock company) • Board member, Tabuk Cement Company (2005G – to date) (joint stock company) • Board member, Malath Insurance and Reinsurance (2007G – to date) (joint stock company) • Board member, Watan Investment Company (2008G – to date) (closed joint stock company) • Member, National Committee for Joint Stock Companies (2006G – 2010G) • Board Chairman, Wajif Insurance Services Company (2006G – to date) (a limited liability company) • Deputy Chairman, National Committee for Insurance (2008G – 2010G) • Board Chairman, Tabuk Fishery Company (2010G – to date) (closed joint stock company) • Chairman, Executive Management of Insurance Brokers (2011G – 2014G) • Membership in many committees of the Council of Saudi Chambers of Commerce and Industry and Chamber of Commerce and Industry in Riyadh.
--	--

Source: Malath Insurance Company

Table (5-4): CV of Mr. Mohammed Saleh Al-Adel

Age	33 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Financial Management, King Fahad University for Petroleum and Minerals, 2007G • Master of Business Administration from Queen's University, Canada, 2011G
Experiences	<ul style="list-style-type: none"> • Assistant Credit Analyst, Saudi Industrial Development Fund (2007G – 2008G) • Credit Analyst, Saudi Industrial Development Fund (2008G – 2009G) • Senior Credit Analyst, Saudi Industrial Development Fund (2009G – 2011G) • Credit Team Leader, Saudi Industrial Development Fund (2011G – 2013G) • Acting Manager of Investments, Saudi Technology Development and Investment Company (2013G – to date)
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> • Board member, Filling and Packing Materials Manufacturing Company (2015G – to date) (joint stock company) • Board member, Venture Capital Bank), Kingdom of Bahrain (2015G – to date) (closed joint stock company) • Board member, Malath Cooperative Insurance Company (2016G – to date) (public joint stock company)

Source: Malath Insurance Company

Table (5-5): CV of Mr. Fawaz Mohammed Al Fawaz

Age	56 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Financial Management and Accounting, King Saud University, 1983G.
Experiences	<ul style="list-style-type: none"> SABIC Marketing Ltd (1983G – 1995G) Assistant Deputy President of Finance, SABIC Marketing Ltd (1996G – 1999G) General Manager, Joint Services, Accounting – SABIC (2000G – 2004G) General Manager, Finance – SABIC (2004G – 2009G) Deputy President, Finance, SABIC (2010G – 2015G) International Finance Manager – Tasnee (2015G – to date)
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Deputy Board Chairman and Audit Committee Chairman in Yansab Company (2007G – 2015G) (joint stock company) Board member, Bahrain Aluminum Company (2014G – 2015G) (joint stock company) Member, Audit Committee, Bank Al Jazira (2012G – to date) (joint stock company) Board member, Malath Cooperative Insurance (2016G – to date) (joint stock company) Member, Audit Committee, Malath Cooperative Insurance Company (2013G – to date) (joint stock company) Board member, Taqa Company (2015G – to date) (closed joint stock company) Board member, Sahara Petrochemicals (2015G – to date) (public joint stock company)

Source: Malath Insurance Company

Table (5-6): CV of Mr. Abdulmohsen Mohammed Al Saleh

Age	81 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Business Administration and Economy, Tier University, California, United States of America, 1967G
Experiences	<ul style="list-style-type: none"> Head of Private Banking Services, City Bank, City Bank, Saudi Arabia. Vice President, City Bank Saudi Arabia SAMBA Advisor (1980G – 1999G).
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board Member, Filling and Packing Materials Manufacturing Company (1990G – 2009G) (closed joint stock company) Board member, Barclays Bank Saudi Arabia (2011G – 2014G), a branch of British joint stock financial entity) Board Chairman, Filling and Packing Materials Manufacturing (2009G – 2015G), (joint stock public company) Board Chairman, Saudi Industrial Export Company (2007G – to date) (joint stock company) Founder, Board member, Audit Committee Chairman and Investment Committee member, Malath Cooperative Insurance Company (2007G – to date) (joint stock company) Founder and Board member of Falcom Financial Services Company (2007G – to date) (closed joint stock company) Board member and member of the Executive Committee of Warehouses and Support Services Company (2008G – to date) (closed joint stock company) (2008G – to date) Board Chairman and Owner of Masader Holding Company (2010G – to date) (a limited liability company), Matager Al Saudia Company (1997G – to date) (a limited liability company), Saudi Kawkaba Maintenance and Mechanics Company (1997G – to date) (a limited liability Company) and Almunasaba Trading Company (1997G – 2005G) (a limited liability company)

Source: Malath Insurance Company

Table (5-7): CV of Mr. Obaid Abdullah Al Rasheed

Age	60 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Business Administration, San Jose State University, State of California, United States of America, 1983G.
Experiences	<ul style="list-style-type: none"> Currently, he is the Executive Vice President in the Arab National Bank since 03/2011G via 27 years of occupying leadership positions Member of the Higher Credit Committee, Arab National Bank Member of the Executive Management Committee Member of the Assets Committee Member of the Internal Capital Adequacy Evaluation Committee
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board Chairman, Alarabi Heavy Equipment Lease Company (2013G – to date) (a closed joint stock company) Board member, Saudi Home Loans Company (2010G – to date) (a closed joint stock company) Board member, Malath Cooperative Insurance Company (2010G – to date) (a joint stock company) Board member, Saudi Chemical Company (2013G – to date) (a joint stock company) Board member, Saudi Aerospace Engineering Industries Company (2015G – 2016G), (a limited liability company) Board Member, Dr. Sulaiman Alhabib Medical Group (2015G – to date) (a closed joint stock company)

Source: Malath Insurance Company

Table (5-8): CV of Mr. Mohammed Abdulaziz Alnamlah

Age	38 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Mechanical Engineering Sciences, 2003G, University of New Haven, United States of America.
Experiences	<ul style="list-style-type: none"> Maintenance Engineer, ARAMCO, from 2003G until the end of 2004G Worked in Projects Division in the Central/ Eastern Region as a Projects Engineer until resigned from ARAMCO in 2007G In 2007G, joined Amnest Group in the capacity of Business Development Manager. Group restructuring and converting it to a joint stock closed group was the first project assigned to him. He represented the group in the negotiations and discussions with Amwal Al Khaleej to acquire 20% of the Gulf Insulation Group (GIG), one of the group companies CEO and Managing Director, Abdulaziz Mohammed Alnamlah Holding Company
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board member, Emirates Pre-insulated Pipes Industries Company Ltd (2009G – to date) (a limited liability company) Board member, Gulf Insulation Group Company (2011G – to date) (closed joint stock company) Board member, Abdulaziz Mohammed Alnamlah Group Holding Company (2009G – to date) (a closed joint stock company) Board member, Malath Cooperative Insurance Company (2010G – to date) (a joint stock company) Board member, Middle East Cables Company (2013G – to date) (a joint stock company)

Source: Malath Insurance Company

Table (5-9): CV of Mr. Tariq Othman Al Abduljabbar

Age	49 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Mechanical Engineering, University of Maine, United States of America, 1993G Master of Mechanical Engineering, University of Maine, United States of America, 1995G
Experiences	<ul style="list-style-type: none"> Chief Engineer, National Guard (Health Affairs) (1998G – 2007G) Assistant Board Chairman, Abdulrahman Al Rashid Holding Company (2008G – 2010G) CEO, Inshaat Company (2007G – 2011G) Managing Director, Top Technical Co. (2012G – to date)
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board member, Malath Cooperative Insurance Company (2016G – to date (a joint stock company)) Board member, Saudi Advanced Industries Company (a joint stock company)

Source: Malath Insurance Company

Table (5-10): CV of Mr. Mohammed Sulaiman Al Hejailan

Age	60 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Economy, Emporia State University, United States of America, 1983G Many courses in Compliance and Money Laundering/ Strategic Planning/ Assets and Liabilities Management/ Strategies and Skills of Projects Management/ Basics of Accounting
Experiences	<ul style="list-style-type: none"> General Manager, Emirates National Bank of Dubai in Saudi Arabia during the period from 2004G – 2015G. Head of Lending (Individuals), Saudi Fransi Bank (2001G – 2003G) Companies Banking Services Group in the Saudi American Bank (SAMBA) (1984G – 2001G)
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board member, Malath Cooperative Insurance Company (2017G – to date (a joint stock company)) Board member, Saudi Credit Bureau (SIMAH) (2002G – 2003G), (a limited liability Company) Al Yusr Leasing and Financing Company (2015G – to date) (a closed joint stock company) Board member, Emirates National Bank of Dubai (2007G – 2015G) (a branch of joint stock company listed in Dubai Financial Market)

Source: Malath Insurance Company

Table (5-11): CV of Mr. Ammar Fawaz Al Sayrafi

Age	35 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Accounting, University of Um Al Qura, 2006G
Experiences	<ul style="list-style-type: none"> Board Secretary, Malath Cooperative Insurance Company, 2017G to date Malath Cooperative Insurance Company 2017G to date Gulf General Cooperative Insurance Company, 2012G to 2017G. Kuehne-nagel Company, 2011G – 2012G Ernst&Young, 2006G to 2011G
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Determining Remunerations of Board Members:

There are no contracts concluded between the Company and Board members in their capacity as board members. On the contrary, they are appointed under a resolution of the ordinary General Assembly of the Company and in line with the Companies Law and the Company's articles of incorporation. Their remunerations are paid against their membership in the Board following a recommendation by the Nominations and Remunerations Committee, in line with the conditions and standards stated in the Companies Law, the Company's articles of incorporation and after obtaining the approval of the

Saudi Monetary Authority. Remunerations are submitted to the Board prior to approval by the ordinary General Assembly of the Company.

The remunerations of the Board Chairman against his services, shall be two hundred thousand Saudi Riyals (SAR 200,000) annually. The maximum limit shall not exceed five hundred thousand Saudi Riyals (SAR 500,000) against board membership and taking part in its business, including additional remunerations in the event the member has participated in any of the Board's committees.

In case the Company has achieved profits, a percentage equals to (10%) of the remaining net profit may be distributed, after deducting the reserves approved by the General Assembly, in implementation of the the provisions of the Cooperative Insurance Companies Control Law and after distributing shareholders dividends of no less than (5%) of the Company's paid up capital. This remuneration shall be due in line with the the number of sessions attended by the member. Any contradictory estimate shall be void.

The maximum allowance limit for attending Board meetings shall be five thousand Saudi Riyals (SAR 5,000) against each meeting, excluding travel and lodging expenses.

The Company also pays to the Board Chairman and members, the actual expenses incurred by them to attend the meetings of the Board or its committees, including travel, lodging and catering expenses.

In all cases, the total remunerations and financial benefits paid to the Board Chairman and members shall not exceed five hundred thousand Saudi Riyals (SAR 500,000) annually.

Senior Management

The Senior Management works on carrying out its tasks under the leadership of the CEO and a highly experienced and capable executive team.

The Senior Management as of the date of this Prospectus is formed of the below named members:

Table (5-12): Senior Executives

Name	Post	Date of Appointment	Age	Nationality	SAMA Approval
Nasser Hashim Al Bunni	CEO	01/07/2013G	48	Syrian	Letter No. (341000082689) dated 03/07/1434H corresponding to (13/05/2013G)
Rami Hoshan	Executive Vice President, Sales and Marketing	01/05/2015G	39	Saudi	Letter No. (351000151204) dated 20/12/1435H (corresponding to 14/10/2014G)
Fawaz Al Hajji	Executive Vice President, Motor Insurance	15/11/2016G	40	Saudi	Letter No. (371000127887) dated 20/12/1437H (corresponding to 21/09/2016G)
AbuBaker Ahmed Shihab	Chief Financial Officer	01/06/2010G	45	Yemeni	Letter No. (21735/MT/757) dated 25/04/1431H (corresponding to 10/04/2010G)
Ahmed Bassam Al Hariri	Chief HealthCare & Life Insurance Officer	07/11/2016G	36	Lebanese	Letter No. (381000013106) dated 03/02/1438H (corresponding to 03/11/2016G)*
Khaled Mustafa Aref	Chief Information Officer	19/12/2010G	53	Egyptian	NA
Yousef Mohammed Al Sohibani	Senior Manager, Internal Audit	10/07/2016G	32	Saudi	Letter No. (371000083939) dated 27/07/1437H (corresponding to 04/05/2016G)
Abdulaziz Abdullah Al Rawais	Senior Manager, Customer Care	18/05/2017G	37	Saudi	Letter No. (381000089026) dated 22/08/1438H (corresponding to 18/05/2017G)
Tariq Al Ghamdi	Senior Manager, Broker Relationships	03/04/2016G	45	Saudi	NA
Mohidin Ahmed	Senior Manager, Life Insurance Underwriting	18/01/2016G	59	Indian	NA

Name	Post	Date of Appointment	Age	Nationality	SAMA Approval
Hani El Sayed	Senior Manager, General Insurance Claims	01/07/2013G	41	Egyptian	NA
Asad Javid	Executive Vice President, Property, Causality and Reinsurance	01/03/2011G	46	Pakistani	Letter No. (381000084349) dated 11/08/1438H (corresponding to 07/05/2017G)
Marut Dahar	Senior Manager, Motor Underwriting and Business Development	23/10/2016G	50	Indian	NA
Bader Al Otaibi	Senior Manager, Western Region Office	03/04/2016G	45	Saudi	NA
Bader Al Duwaihi	Senior Manager, Central Region Office	01/01/2017G	34	Saudi	NA
Hadi Al Hammam	Senior Manager, Eastern Region Office	01/03/2011G	52	Saudi	NA
Waleed Nowaisry	Senior Manager, Marketing	04/04/2017G	45	Saudi	NA
Mohammed Khan	Senior Manager, Marine and Non-Marine Insurance	04/04/2017G	47	Indian	NA
Mohammed Al Suffayan	Senior Manager, Human Resource and Administrative Affairs	03/04/2017G	33	Saudi	NA
Lakshamanan Chemmenchery	Senior Manager, Accounting Management	26/10/2014G	55	Indian	NA
Meteb Al Ghamdi	Senior Manager, Motor Claims	08/03/2017G	33	Saudi	NA
Abdullah Al Madi	Senior Manager, Key Accounts	26/03/2017G	34	Saudi	NA
Ammar Al Sayrafi	Senior Manager, Finance	07/05/2017G	35	Saudi	NA
Abdulsalam Al Matar	Executive Manager, Compliance	18/05/2017G	35	Saudi	Letter No. (381000054017) dated 18/05/1438H (corresponding to 14/02/2017G)

Source: Malath Insurance Company

* As for the Senior Manager for Medical Insurance – Life Insurance, it has been shown that the approval of the Saudi Monetary Authority is subject to replacing him by a qualified Saudi National within three years as of the date of SAMA letter.

Table (5-13): CV of Mr. Nasser Hashim Al Bunni

Age	48 years
Nationality	Syrian
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Computer Engineering, King Fahad University of Petroleum and Minerals, Dahrn, 1992G. Insurance Efficiency Certificate, Chartered Insurance Institute, London, 1996G Several training courses in leadership, management, communication, insurance and financing.
Experiences	<ul style="list-style-type: none"> Field Engineer, Schlumberger, Oil Services Company, from 1992G – 1995G Customer Services Center Manager, Tawuniya Insurance Company, 1995G – 2000G Manager, Taj Medical Systems Development, 2000G – 2002G Marketing and Sales Projects Manager, Taj Medical Systems Development, 2002G – 2005G Strategic Management Office Manager, Taj Medical Systems Development, 2005G Malath Cooperative Insurance and Reinsurance Company, 2005G – to date Alinshaa Group Project Manager, 2005G – 2007G Executive Vice President, Financial and Strategic Affairs and Board Secretary, 2007G – 2013G. CEO to date
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> Board member, Najm Insurance Services, 2013G – 2016G (a closed joint stock company) Audit Committee Chairman, Najm Insurance Services Company, 2013G – 2016G, (a closed joint stock company)

Source: Malath Insurance Company

Table (5-14): CV of Mr. Rami Hoshan

Age	40 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Prince Sultan University, Master of Business Administration, 2007G – 2009G King Saud University – Bachelor of Chemical Engineering, 1995G – 2000G Basics of Insurance (IFC) – British Fellowship Institute Basics of Insurance (IFCE) – Institute of Banking Attended several training courses such as: Energy Insurance – ION, London Effective leading of Sales Team, INSEAD, Singapore Risks Management, IIR, Dubai Engineering Insurance Workshop, Munich Re and Tawuniya, Riyadh Basics of Marketing, Institute of Banking Management to achieve sales, MERIC, Dubai Finance for Non-Finance People
Experiences	<ul style="list-style-type: none"> Deputy Vice President, Sales and Marketing, Malath Cooperative Insurance and Reinsurance Company, 2015G – to date Senior Manager, Regional Management of the Central Province, Malath Cooperative Insurance and Reinsurance Company, 2014G – 2015G Manager of Key Accounts, Central Province, Tawuniya Insurance, 2012G – 2013G Senior Manager, Key Accounts, Central Province, Malath Cooperative Insurance and Reinsurance Company, 2011G – 2012G Manager of Key Accounts, Central Province, Malath Cooperative Insurance and Reinsurance Company, 2009G – 2011G. Regional Manager, Central Province, Sanad Insurance and Reinsurance Company, 2008G – 2009G Manager of Branches Sales, Central Province, Tawuniya Insurance, 2006G Accounts Services Officer, Companies Accounts, Tawuniya Insurance, 2001G – 2005G
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-15): :CV of Mr. Fawaz Al Hajji

Age	40 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Master of Administration with specialty in financial services and insurance, St. Gallen University, Switzerland • Bachelor of Business Administration, King Faisal University • Insurance Administration Diploma, St. Gallen University • Diploma in Banking Operations, Institute of Public Administration • American Life Insurance Fellowship – Life and Medical Insurance Institute, United States of America • Principles of Insurances Certificate – Royal Institute of Insurance, UK • Projects Management Certificate, George Washington University • Executives Development Program – University of Chicago.
Experiences	<ul style="list-style-type: none"> • Customer Services Center Officer, Tawuniya Insurance Company, October 1997G – 1998G. • Claims Officer, Claims Services, Tawuniya Insurance Company, 1998G – 2003G • Team Leader, Claims Operations, Tawuniya Insurance Company, January 2003G – September 2003G • Team Leader, Motor Compensations Center, Tawuniya Insurance Company, 2003G – 2004G • Manager, Compensations Operations, Tawuniya Insurance Company, 2004G – 2005G • Manager, Motor Underwriting, Tawuniya Insurance Company, 2005G – 2011G • Manager, Business Development, Tawuniya Insurance Company, 2011G – 2011G • General Manager, Motor Insurance, Tawuniya Insurance Company, 2012G – 2014G • Executive Vice President, Tawuniya Insurance Company, 2014G – 2016G • Executive Vice President, Motor Insurance, Malath Insurance Company, 2016G – to date.
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-16): CV of Mr. Abubaker Ahmed Shihab

Age	45 years
Nationality	Yemeni
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Financial Sciences, King Fahad University of Petroleum and Minerals with honors, January 1995G • Basics of Insurance Professional Certificate, Institute of Insurance, London, December 2000G • Several courses in financial analysis/ Estimated budgets/ Cash Flow/ Strategic Planning/ Projects Management
Experiences	<ul style="list-style-type: none"> • Financial Analyst, Planning and Budgeting, Tawuniya Insurance Company, 1995G – 1997G • Manager in the Financial Department, Tawuniya Insurance Company, 19997G – 2009G • Deputy General Manager, Financial Affairs, Amana Insurance Company, 2009G – 2010G • Senior Manager of Finance, Malath Insurance Company since 2010G • Board Secretary, Malath Insurance Company, 2015G – 2017G. • Member of Insurance Companies Financial Affairs Committee, 2009G – 2014G • Project Work Team Member during his tenure with Tawuniya/Amana/Malath
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-17): CV of Mr. Ahmad Bassan Al Hariri

Age	36 years
Nationality	Lebanese
Scientific Qualifications	<ul style="list-style-type: none"> • Master of Business Administration, University of London – College of Business Administration College, 2010G – 2012G • Bachelor of Business Administration, American University of Beirut – College of Business Administration, 1998G – 2002G. • Basics of Insurance (IFC) – British Fellowship Institute, 2014G. • License in Insurance – British Fellowship Institute, 2015G
Experiences	<ul style="list-style-type: none"> • Senior Manager, Health and Life Insurance, Malath Insurance and Reinsurance, 2016G – to date • Worked in Medgulf Insurance and Reinsurance Company • Head of Research and Development (Health and Life Insurance), 2010G – 2016G • Manager in the Research and Development (Health and Life Insurance) 2008G – 2010G • Manager, Health and Life Insurance Underwriting, 2006G – 2008G • Supervisor, Statistics and Technical Support, Medivisa Medical Claims Administration (member of Medgulf Group), 2002G – 2006G
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-18): CV of Mr. Khaled Mustafa Aref

Age	54 years
Nationality	Egyptian
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Science with specialty in Accounting, College of Commerce, University of Alexandria - Egypt • British Broadcasting Corporation BBC – Egypt, 1985G • Many official courses: • Official Training • Oracle University, building company portals • Oracle University, building of portals with SQL/PL • Oracle University, developing XML application • Oracle University, Oracle Designer 9e and 10g • Oracle X8 with developer/2000 until 10G • Installer, Oracle Sq1 and text 10 • Novell 4.0 Windows NT/200/2000AS/X, Unix, Lunix • Introduction to Oracle PL/SQL with using builder procedures, Oracle Educational Center, Riyadh • Writer/ Builder of Oracle reports, Oracle Educational Center, Riyadh • Oracle Explorer 3.1, Oracle Educational Center, Riyadh • Oracle Designer 6.0, Oracle Educational Center, Riyadh • Work Flow Oracle 2.6, Oracle Educational Center, Riyadh • Oracle J developer 3.1, Oracle Educational Center, Riyadh • Oracle Applications Server 9e and 10g, Oracle Educational Center, Riyadh • Primary, intermediate, advanced tool, New Horizon Computer Center, Riyadh • The seven habits of most effective people • Java programing using J Developer, Oracle Educational Center, Riyadh • Information Technology Leadership, Projects Management Institute, United Arab Emirates (UAE) • Basic Management of Information Technology IIR Middle East, Dubai, UAE • Health Standards Institute, National Center for Health Insurance Standards - Riyadh • SHIB HL, Basic Training Course of the Council of Cooperative Health Insurance

Experiences	<ul style="list-style-type: none"> Senior Information Officer, Malath Cooperative Insurance and Reinsurance Company, 2009G – to date Team Leader/ Key Systems Analyst and Oracle Application Advisor, Tawuniya, Riyadh, 1993 – 1995G Designer, Network Administrator, Media and Publication Company, Riyadh, 1991G – 1993G Training Specialist – Port Authority Liaison Officer, Taba Advanced Business and Computer Company, Alexandria, Egypt, 1990G – 1991G
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-19): CV of Mr. Yousef Mohammed Al Sohibani

Age	32 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Master of Financial Management, University of Portsmouth, United Kingdom, 2010G Bachelor of Accounting, King Saud University, Kingdom of Saudi Arabia, 2006G Saudi Arabian Monetary Authority Insurance Rules Certificate Exam, IFCE 2005G
Experiences	<ul style="list-style-type: none"> Manager, Internal Audit, Malath Insurance, 2016G – to date Manager, Operational Risks, Medgulf, 2015G – 2016G Senior Consultant, Ernst & Young, United Kingdom, 2014G – 2015G Senior Consultant, Ernst & Young, Kingdom of Saudi Arabia, 2010G – 2015G.
Board membership in other companies (currently and previously)	NA

Source: Malath Insurance Company

Table (5-20): CV of Mr. Abdulaziz Abdullah Al Rowais

Age	37 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Industrial Engineering, King Saud University Basic Investment Certificate – Banking Institute Introduction to Insurance Diploma – Banking Institute Certificate of Fire and Loss of Life Insurance – Bahrain Institute of Banking and Financial Studies Professional Insurance Practice Certificate – Bahrain Institute of Banking and Financial Studies Certified Compliance Officer Certificate – Institute of Finance A number of courses Training and Guidance Skills – Banking Institute Fraud in Insurance – CII- Decision-making and Problem-solving – Tawuniya Insurance Training Center Accounting and Finance for Non-Specialists – Malath Insurance and Reinsurance Company
Experiences	<ul style="list-style-type: none"> Malath Insurance and Reinsurance Company Senior Manager, Customer Care Department, 2017G – to date Senior Manager, Compliance Department, 2014G – 2017G Senior Manager, Motor Compensation, 2012G Support Unit Manager, Motor Compensations, 2011G Manager, Motor Compensations Centers, 2010G Claims Officer – Claims Department, Sabb Takaful Company, 2008G Compensations Processor, Compensations Services Department, Tawuniya Insurance Company, 2006G International Stocks Operations Processor – Investments Operations, SABB Bank, 2005G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-21): CV of Mr. Tariq Saleh Al Ghamdi

Age	46 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Insurance Diploma, Institute of Public Administration, Riyadh • Basics of Insurance (IFC), British Fellowship Institute • Higher Diploma of Insurance (PIC), Bahraini Banking Institute certified by the Royal British Institute • Health Insurance Fellowship (HIA) – American Health Insurance Association • Health Insurance Customer Services Fellowship (HCSA), American Health Insurance Services Association • Professional Fellowship, Management of Health Insurance, (MHP) – American Health Insurance Services • Attended many training courses in insurance, marketing and development, such as the seven habits of most effective people. • Worked at the Center of Preparing and Evaluation of Competencies and Leaders, Tawuniya
Experiences	<ul style="list-style-type: none"> • Tawuniya Insurance Company • Claims Assistant, 1991G • Underwriting Assistant 1994G • Senior Assistant, Claims and Underwriting, 1996G • Senior Assistant, Underwriting, 1999G • Underwriting Manager, Properties and Engineering, 2004G • Malath Insurance and Reinsurance • Underwriting Manager, General Insurances, 2007G • Senior Manager, General Insurances Underwriting, 2009G • Senior Manager, General Insurances Claims, 2011G • Senior Manager, Marine and non-Marine Insurance, 2012G • Senior Manager, Central Province, 2015G • Senior Manager, Brokers Relations, 2016G – to date
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-22): CV of Mr. Mohiddin Ahmed

Age	59 years
Nationality	Indian
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Science – Nagpur University, India • Diploma of Pharmacy – Technical College, India • Fellowship of Life Maintenance Institute • (LOMA), Specialty in Risks • Other several training certificates: • Risks Management and Finding Solutions in Business Administration • Successful Management is a Success of Business • Principles of Health Insurance • The seven habits of most effective people • Management of People • Self-Value Control • Oracle
Experiences	<ul style="list-style-type: none"> • Malath Insurance and Reinsurance • Senior Manager, Health and Life Underwriting Insurance, 2010G • Senior Manager, Life insurance Underwriting, 2016G – to date • Manager, Health and Life Insurance Underwriting, Tawuniya Insurance, 1991G • Health Supervisor, American Insurance Company, 1984G.
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-23): CV of Mr. Hani Hashem El Sayed

Age	41 years
Nationality	Egyptian
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Commerce, College of Commerce and Business Administration – Cairo University • Legal Insurance Institute Diploma – London, England • Specialty Certificate of Insurance, Legal Insurance Institute – London - England • Takful Insurance Certificate, Legal Insurance Institute – London – England • Professional Insurance Certificate, Legal Insurance Institute – London – Financial and Banking Studies Institute, Bahrain. • Several courses and general symposiums in insurance, Egyptian Union of Insurance • Additional various courses in the following fields: • Anti-Money Laundering and Anti-Fraud • Compliance • Management of Pressures • Brainstorming and Innovative Thinking • Six Thinking Hats • Negotiations Skills • Technical training courses offered by insurance companies such as Munich Company • Engineering Insurance Risks offered by Swiss Reinsurance • Certificates of additional skills related to insurance sector • Information Technology Certificate for Professionals in Insurance Sector • Premia System, Issue No. 02 for Insurance and Reinsurance Companies • Fully knowledgeable of many programs used in the insurance and reinsurance companies sector • Fully knowledgeable of Microsoft Operating Software
Experiences	<ul style="list-style-type: none"> • Senior Manager, General Insurance Claims, Malath Insurance, 2007G – to date • Head of General Insurance Claims 1998G – 2007G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-24): CV of Mr. Asad Javid

Age	46 years
Nationality	Pakistani
Scientific Qualifications	<ul style="list-style-type: none"> • M.A of English Language, BZ University, Pakistan • B.A of Economics, BZ University, Pakistan • A.C.I.I and Chartered Insured, (UK) • Certificate from Swiss Re on ELRAC
Experiences	<ul style="list-style-type: none"> • Assistant Deputy President, the General Insurance Company Ltd. Pakistan, 1990G – 2004G • Head of Underwriting/Operations Coordinator, Islamic Arab Insurance Company (IAC), Jeddah, Kingdom of Saudi Arabia, 2004G • Insurance Consultant, Global Insurance Consulting, UK, 2007G • Senior Manager, Reinsurance and Marine and Non-Marine Underwritings, 2007G – 2017G • Executive Vice President – Properties Insurance, Miscellaneous Insurance and Reinsurance, 2017G – to date
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-25): CV of Mr. Marut Dahar

Age	50 years
Nationality	Indian
Scientific Qualifications	<ul style="list-style-type: none"> • Master of Commerce, Open Kota University, Rajasthan, 1989G. • Graduate Diploma in Business Administration, Productivity and Management Institute, Ghaziabad, 1988G • Fellowship CII from Chartered Insurance Institute, 2000G.
Experiences	<ul style="list-style-type: none"> • Claims, Operations and Commercial Business Support Officer (all business lines), Sahara HDI General Insurance Ltd, Delhi, 2014G – 2016G • Volkswagen Finance Private Ltd, Mumbai, 2008H – 2014G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-26): CV of Mr. Bader Al Otaibi

Age	45 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Master of Business Administration, Arab Academy of Science and Technology – 2005G • Bachelor of Chemistry, King Saud University – 1995G • Basics of General Insurance – British Fellowship Institute – 2001G • Professional Insurance Diploma Certificate, Banking Institute of Bahrain, 2005G • Certificate of Health Insurance, Part one and part two – American Authority of Health Insurance, 2006G
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance – Senior Manager, the Regional Management of the Western Province – 2007G – to date • Bua'd Telecommunications – Human Resource Manager – 2007G • Tawuniya Insurance – 1999G – 2007G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-27): CV of Mr. Bader Al Duwaih

Age	34 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Business Administration, King Faisal University • Banking Business Diploma – Institute of Public Administration • Insurance Basics Certificate, Institute of Finance
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance – 2011G – to date • SAMBA Financial Group – 2007G -2011G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-28): CV of Mr. Waleed Nowaisry

Age	45 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Sales Diploma, Institute of Public Administration, Riyadh
Experiences	<ul style="list-style-type: none"> Malath Cooperative Insurance – 2011G - to date Arab Agricultural Services Company (ARASCO) – 2003 – 2011G Saudi Ceramics Company – 1996G – 2002G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-29): CV of Mr. Mohammed Al Suffayan

Age	33 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Human Resource Application Diploma, Chartered Institute for Development Professional Human Resource Diploma, Chamber of Commerce Diploma of Commercial Accounting, Institute of Public Administration Diploma of English Language, Institute of Public Administration
Experiences	<ul style="list-style-type: none"> Malath Cooperative Insurance Company, 2013G – to date. Rajhi Takful – 2011G – 2013G Deutsche Gulf Finance – 2008G – 2011G Malath Cooperative Insurance Company – 2006G – 2010G Tawuniya Cooperative Insurance - 2006G – 2008G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-30): CV of Mr. Meteb Al Ghamdi

Age	33 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Diploma from the College of Technology Insurance Profession Practice Certificate, Institute of Banking Course in Insurance Basics
Experiences	<ul style="list-style-type: none"> Malath Cooperative Insurance Company – 2016G – to date Alinma Tokyo Marine – 2016G Malath Cooperative Insurance Company – 2009G – 2016G Kudo Catering Company – 2006G – 2007G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-31): CV of Mr. Abdullah Al Madi

Age	34 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Quantitative Methods, King Saud University, 2008G • Course of Insurance Basics
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance Company – 2009G – to date • Tawuniya Insurance Company – 2008G – 2009G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-32): CV of Mr. Hadi Hammam

Age	52 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Chemical Engineering, King Saud University – 1996G • Insurance Basics Certificate • Professional Insurance Certificate
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance Company – 2010G – to date • Saudi United Cooperative Insurance Company – 2007G – 2010G • Tawuniya Insurance Company, 1996G – 2007G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-33): CV of Mr. Mohammed Khan

Age	47 years
Nationality	Indian
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Electronic and Telecommunications Engineering, University of Madras, India – 1990G • Fellowship of Insurance Institute, India
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance – 2011G – to date • Qatar Insurance Company – 2007G – 2011G • Tawuniya Insurance Company – 2003G – 2007G • India Insurance Company, India – 1991G – 2003G.
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-34): CV of Mr. Lakshmanan Chemmenchery

Age	55 years
Nationality	Indian
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Commerce, Calicut University, India • Bachelor of Law, Calicut University, India • Member of the Insurance Institute, India
Experiences	<ul style="list-style-type: none"> • Malath Cooperative Insurance Company, 2006G – to date • Saudi Arabian Cooperative Insurance Company, 2003G – 2006G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-35): CV of Mr. Abdulsalam Al Matar

Age	35 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Projects Management, Bahrain, 2007G
Experiences	<ul style="list-style-type: none"> Malath Cooperative Insurance Company, 2017G – to date Alsaqr Cooperative Insurance Company, 2015G – 2017G SABB Takful, 2013G – 2015G Gulf Union Cooperative Insurance Company, 2011G – 2013G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Table (5-36): CV of Mr. Ammar Al Sayrafi

Age	35 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> Bachelor of Accounting, Um Al Qura University, 2006G
Experiences	<ul style="list-style-type: none"> Board Secretary, Malath Cooperative Insurance Company, 2017G to date Malath Cooperative Insurance Company, 2017G – to date Gulf General Cooperative Insurance Company, 2012G – 2017G Kuchne-nagel Company, 2011G – 2012G Ernst & Young, 2006G – 2011G
Board membership in other companies (currently and previously)	NA

Malath Insurance Company

Report on Bankruptcy of Board Members or Senior Executive

There are no cases of bankruptcy of any Board member or senior executive until the date of this Prospectus.

Details of insolvency in the previous five years of a company in which any of the Issuer Board members, recommended Board members, senior executives or the Issuer's Board Secretary was appointed by the insolvent company in managerial or supervisory post in the Company.

There is no report of insolvency of any Board member or senior executive until the date of this Prospectus.

Report of available common interests between Board members, Board's Secretary or any senior executive, their relatives in the Issuer's stocks or debt instruments

None

Complete details of any contract or arrangement whether valid or intended to be concluded upon submission of this Prospectus, in which any Board member, senior executive or their relatives has a common interest in the business of the Issuer.

The Board of Directors approved the amendments of organizing the policy on the conflict of interests with Board members, Senior Managers and Shareholders for the purpose of compliance with the regulations and laws issued by the Capital Market Authority. Some of the transactions and contracts in which the Company was a party and in which some of Board members and senior executives have interest was carried out. The Company has not granted any special advantage for these transactions as follows:

- Nasco Saudi Arabia Insurance Brokers Company in which his Excellency Engineer Mubarak Abdullah Al Khafrah, Board Chairman is a partner owner. These are reinsurance contracts in the form approved for all reinsurance brokers with whom the Company is dealing. Total transactions for the year 2016G stood at SAR 1,234,000 as reinsurance premiums and SAR 123,000 as compensations redeemed through them.
- Personal insurance for member Mr. Mohammed Ali Al Amari, reaching SAR 16,000 as premiums and paid compensations amounting to SAR 2,000.
- Personal insurance for member Mr. Abdulmohsen Al Saleh, which stood at SAR34,000 as premiums and paid compensations in the amount of SAR 530.
- Abanami Establishments Group of his Excellency Mr. Mohammed bin Sulaiman Abanami, previous Board member. These are one year term insurance policies per the Company approved documents, without special conditions or benefits, in the amount of SAR 330,000.

- Tabuk Cement Company in which his Excellency Mohammed Ali Al Amari has is a partner owner. These are one year term insurance policies per the Company documents, without special conditions or benefits, which premiums stood at SAR 3,581,000 and compensations in the amount of SAR 240,000.

All members who obtained insurance policies from the Company repaid premiums due from them in full, under the same policy benefits given to all clients.

Except as otherwise mentioned, there are no contracts during this period, in which the Company was a party and in which there was interest for the CEO, the Finance Manager or any person related to them. There is also no agreement arrangements under which a Board member or a senior executive has relinquished any salary or compensation.

Mr. Nasser Al Bunni signed an employment contract with the Company on 01/10/2005G. Under the Board of Directors resolution, Mr. Nasser was appointed as the Company CEO effective 01/07/2013G. The contract is valid from 01/10/2005G and either party may express his intention to terminate the contract by a written notice 3 months prior to the date of expiry.

Under this contract, Mr. Nasser receives a fixed annual financial compensation, a variable remuneration in addition to regular allocations granted to those who occupy such post. He adhered neither to engage in any other job throughout the validity of the contract whether with or without fees nor to act the same during vacations, official holidays or outside the Company's official working hours.

In line with the provisions of the contract, Mr. Nasser acknowledges that he maintains the confidentiality of all Company related confidential information and pledges no to divulge the same to any other person or party.

Mr. Abu Baker Shehab signed an employment contract with the Company on 01/06/2010G. Under this contract, Mr. Abubaker was appointed as the Company Executive Finance Manager. The contract is valid as of 01/06/2010G and either party may express his intention to terminate the contract by a written notice 3 months prior to the date of expiry.

Under this contract, Mr. Abubaker receives a fixed annual financial compensation, a variable remuneration in addition to regular allocations granted to those who occupy such post. He adhered neither to engage in any other job throughout the validity of the contract whether with or without fees nor to act the same during vacations, official holidays or outside the Company's official working hours.

In line with the provisions of the contract, Mr. Nasser acknowledges that he maintains the confidentiality of all Company related confidential information and pledges no to divulge the same to any other person or party

5-3 Board Committees

Following is a summary of the tasks and responsibilities of the committees as well as the current members of each committee:

• Executive Committee

Table (5-37): Executive Committee Members

Name	Capacity	Type of Membership
Mohammed Ali Al Amari	Committee Chairman	Board member
Mohammed Abdulaziz Alnamlah	member	Board member
Tariq Othman Al Abduljabbar	member	Board member
Mohammed Saleh Al-Adel	member	Board member
Nasser Hashim Al Bunni	member	CEO

Malath Insurance Company

Executive Committee Tasks and Responsibilities

The committee reviews strategic plans and the Company's annual estimated budget, policies and procedures prepared by the Executive Management in writing, including risks limits and ceded authority in line with the laws, instructions and regulations stipulated by the supervisory authorities. This shall not contradict with the objectives of other Board's committees. The committee shall also review the works of the Executive Management and ensure that they meet the expectations of the Board and recommend any amendments in order to obtain the approval of the Board.

The Committee submits its periodic reports to the Board understandably and clearly, including quantitative and qualitative information. Reports shall be submitted to the Board mainly and directly in cooperation with the Executive Management.

- Reviewing Company's strategic plans and estimated budgets, evaluating suggestions of the Management and working on achieving the financial and non-financial objectives of the Company and submitting recommendations to the Board.
- Reviewing Company's performance, based on the Executive Management reports, and analyzing and studying

key effects, indicators and developments.

- Submitting recommendations to the Board in relation to the distribution of dividends, while observing recommendations of the Audit and Risks Committee in that regard.
- Reviewing the policies, regulations and laws related to business progress in the Company and the substantial issues and impediments related to the Company's business.
- Authorities delegated to the committee by the Board, which are related to the financial and technical issues, personnel and procurements per the limits and amounts granted in the approved regulations.
- Any other authorities which the Board may delegate to the committee based on the resolutions issued by the Board.

• Audit Committee

Table (5-38): Audit Committee Members

Name	Capacity	Type of Membership
Fawaz Mohammed Al Fawaz	Committee Chairman	Board Member
Abdulaziz Sulaiman Al Atiqi	Member	Independent Member
Naef Mohammed Al Khamshi	Member	Independent Member

Table (5-39): CV of Mr. Abdulaziz Sulaiman Al Atiqi

Age	55 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Bachelor of Accounting, King Saud University, Riyadh • Fellowship of the Saudi Organization for Certified Public Accountants
Experiences	<ul style="list-style-type: none"> • Head of Market Control, Capital Market Authority, 2013G – 2015G • Consultant in the Capital Market Authority, 2009G – 2013G • Head of Stocks Division, SABIC, 2004G – 2009G • Chief of Accounts Payable, SABIC, 1998G – 2004G • Accountant, Projects Accounting Division, SABIC for Marketing, 1991G – 1998G • Accountant, Saudi Telecommunications, 1990G
Board membership in other companies (currently and previously)	<ul style="list-style-type: none"> • Member of the Audit Committee in FIPCO • Member of Audit Standards Committee, SOCPA • Member of the New Companies Law Project Committee • Member of the Committee formed for Ownership in Makkah and Madinah • Member of the Committee formed to study the issue of Albir Society in Jeddah and Sidq Company. • Member of the Committee formed for the amendment of articles of association of SOCPA • Member of the Committee formed to study the establishment of Health Investments Company

Table (5-40): CV of Mr. Naef Mohammed Al Khamshi

Age	44 years
Nationality	Saudi
Scientific Qualifications	<ul style="list-style-type: none"> • Ph.D., Educational Psychology • Professional Insurance Certificate PIC certified by CII • Professional Certificate of Compliance
Experiences	<ul style="list-style-type: none"> • 18 years of experience in the biggest insurance company in Saudi Arabia (Tawuniya) • Assumed many positions in different sectors • Currently, Manage of Compliance, Deutsche Gulf Finance Company • Training experience; trained clients, personnel and service providers (training in the fields of compliance, customer services and how to deal with key accounts and insurance, etc. • Projects management experience • Knowledge of various insurance products, such as, medical, motor, engineering and properties insurance in terms of underwriting and claims

Tasks and Responsibilities of the Audit Committee

- Overseeing the Internal Audit Department and the Legal Control System in the Company and verifying the extent of its effectiveness in implementing the works and tasks determined by the Board of Directors.
- Studying the internal audit and legal control systems and providing a written report of its opinion and recommendations in that regard.
- Studying internal audit and legal control reports and following up implementing corrective actions of indicated remarks.
- Recommending to the Board, the appointment of auditors, determining their fees and non-renewal to them. Upon recommendation, auditors' independence shall be observed and their work followed up.
- Studying the audit plan with the auditor and discussing remarks on the financial statements.
- Studying the approved accounting policies, expressing opinion and submitting recommendations to the Board to that effect.
- Approving publication of the annual financial statements before submission to the Board for review, expressing opinion and submitting recommendations.
- Studying the annual financial statements before submission to the Board.

• Risks Management Committee

Table (5-41): Risks Management Committee Members

Name	Capacity	Type of Membership
Mohammed Saleh Al Athal	Committee Chairman	Board Member
Mohammed Ali Al Amari	Member	Board Member
Abdulaziz Mohammed Alnamlah	Member	Board Member

Tasks and Responsibilities of the Risks Management Committee

- Determining the risks that may encounter the Company and maintaining an acceptable level of risks.
- Overseeing the Risks Management System and evaluating its efficiency.
- Reviewing the Risks Management Policy
- Re-evaluating the Company's capability to bear the risks and its exposure on periodic basis.
- Submitting detailed reports to the Board on the exposure of risks and suggested steps to manage them.
- Submitting recommendations to the Board on risks management-related issues.
- Conducting the periodic review and updating risks management strategies, taking into consideration the Company's internal and external variables.

Table (5-42): Nominations and Remunerations Committee Members

Name	Capacity	Type of Membership
Abdalmohsen Al Saleh	Committee Chairman	Board Member
Obaid Abdullah Al Rasheed	Member	Board Member
Tariq Othman Al Abduljabbar	Member	Board Member
Mohammed bin Ali Al Ammari	Member	Board Member

Malath Insurance Company

Tasks and Responsibilities of the Nominations and Remunerations Committee

- Recommending to the Board nomination to Board membership in line with the approved policies and standards
- Conducting the annual review of the required needs of skills appropriate to Board membership.
- Preparing a description of the capabilities and qualifications required for Board membership.
- Reviewing Board structure and submitting recommendations as to the changes that may be made.
- Evaluating the performance of the Board (on overall and individual basis) and committees' members, determining strengths and weaknesses and suggesting methods of treatment.
- Ensuring independence of members and Board committees and that no conflict of interests is present.
- Submitting recommendations with respect to appointment or dismissal of the Senior Management Members.
- Setting the policy and procedures for the succession of the CEO and Senior Management and monitoring the application of their succession plans and procedures, and reviewing the senior management members' compensations plans.

- Overseeing the introductory program and the periodic training of Board members
- Submitting recommendations to the Board with respect to nomination and remunerations related issues.

Table (5-43): Investment Committee Members

Name	Capacity	Type of Membership
Mohammed Abdulaziz Alnamlah	Committee Chairman	Board Member
Abdulmohsen Mohammed Al Saleh	Member	Board Member
Mohammed Saleh Al-Adel	Member	Board Member

Malath Insurance Company

Tasks and Responsibilities of the Investment Committee

- Determining investment objectives and setting the required plans, which include investment plans development and periodic investment policy, in line with the issued legislations and regulations.
- Determining long-term objectives and plans, including risks levels, diversification of assets and currencies and managing internal and external investment options.
- Monitoring investment performance.
- Recommending the appointment of investment managers, evaluating their performance on periodic basis and setting up the standards.
- Preparing a written investment policy, including risks limited and ceded authorities, taking into consideration the performance, volatility, liquidity, duration, return and all other factors deemed appropriate by the Committee.
- Reviewing implementation of the investment policy on periodic basis, including but not limited to the performance of each asset category and general risks of investment policy, issuing the performance report of investment portfolio, and setting up the technical standards for investment activities.
- Evaluating investments results periodically, reviewing the current and future components of investment portfolio, ensuring that those who are responsible for fund management are compliant with the investment policy, and reviewing buying and selling decisions.
- The committee, after approval of the Board, shall have the right to appoint non-Board or non-management members and recommend their fees.
- The committee shall have the authority to obtain legal advice and assistance as well as investment advisory services as per delegated authorities.
- Reviewing the actuary reports and assumptions as part of setting the assets distribution and analysis plan.
- Evaluating data and methodology used by the actuary upon setting up the assumptions related to inflation and investments return.
- Studying the actuary value of assets and ensuring that the actuary data together with the Company's assets and liabilities management studies are taken into consideration.
- Studying and evaluating any private investment outside the policy.
- Assuming any other works delegated to the committee by the Board.

Total Remunerations and in-Kind Benefits Granted by the Company

The total costs of attending Board meetings and those of its committees stood at SAR 264,000 during the period 01/01/2016G – 31/12/2016G, while in the previous year, they reached SAR 216,000.

Saudi Riyals Thousand	2014G	2015G	2016G
Board members (attendance allowance for the same year)	189	216	264
Board members (annual remunerations for the previous year, by approval of the General Assembly)	1140	1020	1020
Total Board Members Remunerations	1,329	1,236	1,284
Senior Executives including CEO and Finance Manager	8,603	9,805	8,759
Total	9,932	11,041	10,043

Senior Executives including the CEO and Finance Manager for the year 2014G (five) and for the years 2015G/2016G (year).

Compensations and Remunerations of the Board and Senior Executives

Mr. Nasser Al Bunni signed an employment contract with the Company on 01/10/2005G. Under the Board of Directors resolution, Mr. Nasser was appointed as the Company CEO effective 01/07/2013G. The contract is valid from 01/10/2005G and either party may express his intention to terminate the contract by a written notice 3 months prior to the date of expiry.

Under this contract, Mr. Nasser receives a fixed annual financial compensation, a variable remuneration in addition to regular allocations granted to those who occupy such post. He adhered neither to engage in any other job throughout the validity of the contract whether with or without fees nor to act the same during vacations, official holidays or outside the Company's official working hours.

In line with the provisions of the contract, Mr. Nasser acknowledges that he maintains the confidentiality of all Company related confidential information and pledges no to divulge the same to any other person or party.

Mr. Abu Baker Shehab signed an employment contract with the Company on 01/06/2010G. Under this contract, Mr. Abubaker was appointed as the Company Executive Finance Manager. The contract is valid as of 01/06/2010G and either party may express his intention to terminate the contract by a written notice 3 months prior to the date of expiry.

Under this contract, Mr. Abubaker receives a fixed annual financial compensation, a variable remuneration in addition to regular allocations granted to those who occupy such post. He adhered neither to engage in any other job throughout the validity of the contract whether with or without fees nor to act the same during vacations, official holidays or outside the Company's official working hours.

In line with the provisions of the contract, Mr. Nasser acknowledges that he maintains the confidentiality of all Company related confidential information and pledges no to divulge the same to any other person or party.

The following table shows the compensations, benefits and wages received by Board members as well as the salaries and allowances for senior executives of the Company, including CEO and the Finance Manager during the years 2014G, 2015G and 2016G.

	2014G	2015G	2016G
Board members (attendance allowance for the same year)	189	216	264
Board members (annual remunerations for the previous year, by approval of the General Assembly)	1140	1020	1020
Total Board Members Remunerations	1,329	1,236	1,284
Senior Executives including CEO and CFO	8,603	9,805	8,759
Total	9,932	11,041	10,043

Senior executives including CEO and CFO for 2014 (five) and 2015/2016 (six)

Corporate Governance

The Company adheres to apply the highest governance standards, which fully comply with all obligatory requirements in the Corporate Governance Regulations issued by the Capital Market Authority, as well as its amendments. The Board of Directors understands that effective management and control is important for the success of the Company. The Company is compliant to follow and apply the highest governance standards in order to ensure that the Board of Directors is working to fully achieve the interests of shareholders and provide a real, clear and fair image of the Company's financial positions and its operational results.

The Company is committed to implement all the regulations and laws issued by the supervisory and regulatory authorities, on which it applies

Staff Share Programs existing before filing the registration application and approval of listing

The Company currently has no program for the allocation of shares to its staff.

Staff participation arrangement in Share capital

The Company has no arrangements for its staff to participate in its capital until the date of this Prospectus.

6. Management Discussion and Analysis of the Financial Position of the Company and the Results of its Operations

6-1 Introduction

The following section presents an analytical review of the Company's performance and its financial position for the three years ended on 31 December 2014GG, 2015G and 2016G. This section, along with the audited financial statements for the three years ended on 31 December 2014GG, 2015 and 2016G and the accompanying notes to this Prospectus, should be read.

* the International Auditors has audited the financial statements for the years ended on 31 December 2015G and 2016G

* Dr. Mohammed Al Omari & Co's Office reviewed the financial statements for the fiscal year ending in 2016G

* KPMG Al-Fozan and Al-Sadhan and Partners reviewed the financial statements for the fiscal years ended on in 2014G and 2015G

* Ernst & Young reviewed the financial statements for the fiscal year ended in 2014G

Performance Indicators and Financial Ratios

Financial Ratios			
	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Total written premium growth rate	83.3%	31.9%	16.3%
Net claims paid / written premiums	53.2%	74.2%	73.9%
Net loss rate: Net claims incurred /net earned insurance premiums	89.7%	86.3%	114%
Assignment rate: Premiums reinsurance assigned/Total written insurance premiums	10.4%	18.2%	30.8%
Retention Ratio: Net written premiums / total written premiums	89.6%	81.8%	69.2%
Percentage of subscription costs of insurance policies of the total written premiums	3.96%	9.2%	10%

Source: Extracted from the audited financial statements

The Company's results are generally affected by a number of factors, including mandatory, health and motor insurance which may affect the increase in premiums written by the Company as a result of the high demand on insurance policies in general with in the Kingdom.

In terms of seasonal factors, the results of the Company are generally adversely affected at the end of the second quarter of the year, wherein it must reserve reserves for any claims that are not collected within 90 days or more as required by Saudi Arabian Monetary Agency (SAMA).

In addition to the above mentioned, the Management Discussion and Analysis of the Financial Position of the Company and the Results of its Operations does not include an analysis of the seasonal factors, economic cycles or governmental policies related to the Company's activity. The Company's main activity is the issuance of insurance policies representing short-term contracts of a nature (often for a period of twelve months).

Please refer to Risk Factors section of this Prospectus for details of all risks that may affect the Company.

The Management Discussion and Analysis of the Financial Position of the Company and the Results of its Operations contain future statements that involve risks and uncertain probabilities.

6-2 Directors' Declarations Regarding Financial Information

The Board of Directors, jointly and severally, declares the following:

- The financial information contained in the Prospectus is extracted without substantial change from the audited financial statements and is prepared on a consolidated basis in accordance with International Financial Reporting Standards.
- The Company's Share Capital has no option as at the date of this Prospectus
- The Company has working capital sufficient for 12 months immediately following the publication date of the Prospectus
- Except as disclosed in this Prospectus, there are no mortgages, rights or charges on the Company's property as of the date of this Prospectus

- Except as disclosed in the Prospectus in respect of the accumulated losses, there has been no material adverse change in the financial and commercial position of the Company during the three financial years immediately preceding the date of submitting the application for registration and acceptance of listing, in addition to the period covered by the Public Accountant's report until authorizing the issuance of the Prospectus
- The Company does not own any assets or contractual securities or other assets which value is subject to fluctuations or which value is difficult to verify and which have a significant impact on the assessment of the financial position of the Company

6-3 Basis of Preparation

Compliance Statement:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS).

In accordance with the requirements of the insurance law established in the Kingdom of Saudi Arabia, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. The Company retains the physical acquisition and the right to verify ownership of all assets relating to insurance operations and shareholders' operations. Revenues and expenses that are clearly attributable to each activity are recorded in the accounts specific to that activity. Management and Board of Directors determine the basis for the distribution of expenses relating to joint operations.

According to the Company's Articles of Association (bi-laws), the surplus resulting from insurance operations is distributed as follows:

- Transferred to shareholders' operations: 90%
- Transferred to policyholders: 10%

Bases of Measurement:

The financial statements are prepared under the historical cost convention, except for available-for-sale investments, which are measured at fair value.

Main Currency and Presentation Currency:

The financial statements are presented in Saudi Riyals (SAR), which is the Company's functional currency.

Share Capital:

On 02/07/14388H (corresponding to 29/03/2017G), the Malath Company General Assembly approved to reduce the Company's Share Capital from SAR 300 million to SAR 120 million through the cancelation of 18 million shares. The new Company's Share Capital will be SAR 120 million divided by 12 million Shares of nominal value of (10) ten riyals per share.

6-4 Summary of Significant Accounting Policies

Cash and cash equivalents:

Cash and cash equivalents consist of current accounts with banks and short-term Murabaha deposits maturing within three months or less of the date of acquisition.

Insurance contracts:

Insurance contracts are defined as those contracts involving insurance risks at the inception of the contract or those that have, at the inception of the contract, a scenario involving, in its business substance, an insurance risk. The importance of insurance risk depends on the likelihood of an incident to the insured party and the volume of the related potential impact.

In case the contract is classified as an "insurance contract", it will remain so throughout its remaining period even if the insurance risk is significantly reduced during the year.

Impairment and Un-Collectability of Financial Assets:

An assessment is made at each date of financial statement (balance sheet) to ensure that there is an objective evidence that a financial asset or a group of financial assets are impaired. (Including receivable insurance balances), In case there is an objective evidence that a financial asset has been impaired or has incurred losses, the estimated recoverable amount

of that asset is determined. The impairment loss is recognized in accordance with the changes to its carrying amount as follows:

- For financial assets carried at amortized cost, an impairment loss is determined on the basis of the difference between the present value of the expected future cash flows and the carrying amount
- For financial assets carried at fair value, impairment loss is determined on the basis of impairment in fair value
- For financial assets carried at cost, impairment is determined by the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset

For presentation purposes, the reserve is charged to the line item in the statement of financial position, and the statement of income - insurance operations or the statement of comprehensive income of the shareholders is amended.

Where the Company considers that there are no realistic prospects of recovering the asset, the related amounts are written off. If any impairment loss subsequently arises, and that is objectively attributable to an event occurring after the impairment is recognized, then the previously recognized impairment is reversed through profit or loss.

Objective evidence, of a permanent decline in the value of a financial asset or a group of assets, includes data that have been brought to the attention of the Company about the following events:

- Fundamental financial difficulties of the Issuer or debtor
- A breach of contract articles including default or delinquency in payment
- There is a probability that the Issuer or the debtor will enter in bankruptcy or restructure of its financial posture
- The disappearance of an active market for financial assets due to financial difficulties
- Observable data indicate that there is a measurable decrease in the expected future cash flows from a group of financial assets since the date of initial recognition of these assets, although it is not possible to determine a specific financial asset associated with the impairment. These data include:
- Adverse changes in the payment status of the Company's Issuers or debtors
- National or domestic economic conditions in the country of origin associated with asset defaults.

Impairment in Other Financial Assets:

Assets that do not have a specific useful life are not depreciated. An annual test is made to ensure that there is a decline in value. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that their carrying value cannot be recovered.

An impairment loss is recognized in the amount of increase of the carrying amount of the asset compared to its recoverable amount, which represents the fair value of the asset less sale costs and the present value, whichever is higher.

Deferred Subscription Costs:

Direct and indirect costs incurred during the financial period are deferred when the insurance contracts are issued or renewed to the extent that they are recoverable from future installments. All other subscription costs are recognized as an expense when incurred. After initial recognition, these costs are amortized on a pro rata basis over the expected future installment period, except for marine freight, where the deferred portion is the cost incurred during the fourth quarter. The amortization is recognized in the statement of income - insurance operations.

Changes in estimated useful lives or the expected manner of amortization of future economic benefits embodied in that asset are accounted for by adjusting the amortization period and are considered as a change in the accounting estimates.

A review is made to ensure a decrease in value (impairment), at the date of the preparation of all financial statements once or more, when there is evidence of such impairment. In cases where the recoverable amounts are less than the carrying amount, the impairment loss is recognized in the statement of income - insurance operations. Deferred subscription costs are also taken into account when performing the liability adequacy test at each period where the financial statements have been prepared.

Deferred subscription costs are excluded when the relevant contracts are settled or disposed of.

Scrap and Refunds:

Certain insurance contracts allow the Company to sell assets acquired when the claims are settled. The Company has the right to pursue and claim third parties to pay part or all of the costs.

Scrap recovery estimates are included as a provision when measuring the liabilities of claims under settlement. The provision represents the value that can be recovered from the third party.

Available-for-sale Investments:

Available-for-sale financial assets are non-derivative financial assets classified in this category or not classified in another category. These investments are initially measured at cost and are re-measured at fair value. Cumulative changes in the fair value of these investments are shown as a separate line item in the statement of financial position, statement of comprehensive income for insurance operations and comprehensive income statement of shareholders. Gains and losses realized on the sale of these investments are recognized in the statement of income - insurance operations and comprehensive income statement of shareholders. Dividends, commission income and currency conversion gains/losses relating to available-for-sale investments are recognized in the statement of income - insurance operations or comprehensive income statement of shareholders.

The permanent impairment in the value of investments in the statement of income-insurance operations or the statement of comprehensive income to shareholders is recognized as impairment charges. For investments traded on regulated markets, fair value is determined on the basis of quoted market prices. The fair value of commission-related items is estimated on the basis of discounted cash flows using commission for items with the same terms and risk characteristics. If fair value cannot be determined, investments are carried at cost less the provision for impairment, if any.

Accounting Trading Date:

All normal transactions relating to the purchase and sale of financial assets are recognized or derecognized on the date of trading (i.e. the date on which the Company commits to purchase or sell the asset). Regular operations relating to the purchase and sale of financial assets are transactions that require that such assets be repaid within the time period provided for or stipulated by regulations or conventions established in the market.

Property and Equipment:

All property and equipment are stated at cost less accumulated depreciation and any impairment in value. Where significant parts of property and equipment are to be replaced during the period, the Company recognizes these parts as separate assets and with specific useful lives and is depreciated accordingly. Other repair and maintenance expenses are recognized in the income statement as incurred. Depreciation is calculated over the estimated useful lives using the straight-line method. The consumption ratios for the main items of these assets are:

Item	%
Leasehold improvements	20%
Computers	25%
Computer Software	10%
Furniture	10%
Office equipment	20-25%
Cars	25%

Any item of property, equipment or any significant part that has been previously recognized when disposed of or in the absence of economic benefits expected from its use or disposal is eliminated. Any gain or loss arising from the disposal of the asset (calculated on the basis of the difference between the net proceeds of sale and the carrying amount of the asset) in the income statement - Insurance operations upon disposal of assets.

Provisions:

The provision shall be set aside for the absence of a legal or expected commitment by the Company arising from past events, and it is probable that there will be a need for a flow of resources that include economic benefits for settlement of the obligation and the amount of the obligation can be reliably estimated. A provision also shall be set aside for the absence of a legal or expected obligation to the Company arising from past events and the flow of economic resources is likely to be required to settle the obligation and the amounts are reliably estimated.

Foreign Currency Translation:

Transactions in foreign currencies are converted into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted into Saudi Riyal at the rates prevailing at that date. Gains and losses arising from repayments or conversion of monetary assets and liabilities denominated in foreign currencies at conversion rates at the end of the year are recognized in the income statement – insurance operations or comprehensive income statement of shareholders.

Liability Adequacy Test:

Tests are carried out at each financial position date to ascertain the adequacy of the insurance contract liabilities, after discounting the related deferred subscription costs. To perform these tests, management uses the best current estimates of future contracted cash flows and the costs of managing and processing the claims. Any impairment in the carrying amount is charged directly to the statement of income - insurance operations by creating the provision for losses arising from the liability adequacy test. In recent years, the Company has had a policy of initial write-off of deferred subscription costs and later the provision for unearned losses in the statement of income - insurance operations will be charged. However, the change in policy had no impact on the financial statements.

Re Insurance:

Reinsurance contracts are contracts concluded by the Company with reinsurers during the normal business cycle whereby the Company is compensated for the loss of the insurance contracts issued.

The benefits to which the Company is entitled under reinsurance contracts are recognized as reinsurance assets. These assets consist of balances due from reinsurers upon payment of claims and other receivables, such as commissions on profits, and reinsurers' share of outstanding claims that depend on the expected claims and benefits arising under reinsured insurance contracts. Reimbursable amounts to and / or due to reinsurers are recognized in a similar manner to the amounts relating to the insurance contracts in accordance with the terms of each reinsurance contract.

At each reporting date of each financial report, the Company conduct a review to ensure that there is an indication of impairment in the value of the reinsurance assets and, if any such indication exists, the Company makes an estimate of the recoverable amount.

If the carrying amount of the reinsurance asset exceeds its recoverable amount, then the asset is considered impaired and is reduced to its recoverable amount. Impairment is recognized in the statement of income - insurance operations.

Rents:

Payments under operating leases are recognized as an expense in the statement of income - insurance operations on a straight-line basis over the lease term.

Expenses:

Expenses are recognized in the income statement - insurance operations and statement of comprehensive income - shareholders' operations when there is a decline in future economic benefits related to a decrease in assets or an increase in liabilities and can be measured reliably. Expenses in the income statement - insurance operations and statement of comprehensive income - are recognized on the basis of the direct link between the costs incurred and the profit of specific items of income, based on systematic and logical distribution basis. Where economic benefits are expected to arise during the financial period, expenses are presented in the statement of income - insurance operations and statement of comprehensive income - the operations of the shareholders using the nature of the expense method.

Accounts Receivable:

Accounts receivable are non-derivative financial assets with fixed or determinable payments. Receivables arising from insurance contracts are classified in this category. They are recognized when due and are measured at initial recognition at the fair value of the consideration received or receivable. The carrying amount of receivables is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable and the impairment loss is recognized in the statement of income - insurance operations. Receivables are eliminated when the exclusion criteria for financial assets are in place.

Revenue Recognition:

Poof of installment and commission income

The income of premiums held and commissions relating to the risks in force after the end of the financial period are reported as unearned and deferred based on the following methods:

- The last three months of the period in respect of shipping
- Predetermined calculation of business engineering class to meet risks exceeding one year. According to this calculation, a small portion of the premium is acquired in the first year and gradually increases by the end of the policy period
- Actual number of days for other business lines

The Company started using a predefined calculation of the business engineering category from 01 January 2014G. The only deferred payment calculation has been adjusted, which is a change in accounting estimates

This change is expected to have little impact on the Company's net premiums for the coming years, as the Company's management expects the net retentions in business engineering to be minimal.

Unearned insurance premiums represent part of the premiums written in respect of the applicable period of insurance cover. The change in the provision for unearned premiums is taken to the statement of income from insurance operations in the same order in which revenue is recognized over the period of risk.

Insurance Contract Fees Income

Insurance policyholders are charged fees for the administrative services of the policy and other contract fees. These fees are recognized as income over the period during which the related services are performed. If fees for services rendered in future periods, they will be deferred and recognized over future periods.

Investment Income

Investment income is recognized on an actual revenue basis taking into account the principal amount and the commission rate.

Dividends

Dividends are recognized when the right to receive the dividends is recognized

Claims:

The total claims include the benefits and claims paid to the policyholders, the changes in the value of the liabilities arising from the contracts with the policyholders and the costs of processing the external and internal claims after deducting the expected recoveries.

Claims under settlement include the estimated cost of outstanding claims as at the statement of financial position date, as well as claims processing costs, the expected loss of value of scrap and other recoveries, whether reported by the insured or not. Provision for claims reported and unpaid at the balance sheet date on a case-by-case basis are avoided. Provision is also made, in accordance with the estimates of the management and the experience of the former company, for the cost of payment of claims incurred but not reported, including claim processing costs, the expected value of scrap and other recoveries as at the balance sheet date. The difference between at the statement of financial position date, payments and provisions is included. The difference between the provisions at the statement of financial position date and the deferred provisions in the subsequent period in the statement of income - insurance operations for the year settlement and the provision for doubtful accounts in the subsequent period is included in the statement of income - insurance operations for the year.

Claims under settlement are shown on a gross basis and the reinsurer segment is shown separately.

Provision for Employees' end of Service Benefits:

Employees' end of service benefits are determined using the actuarial evaluation. Actuarial evaluation uses the estimated pay method. This includes the expectation of benefits until leaving the service, retirement or death, which allows to predict the probability upon reaching these cases, which also allows for the upward increase of salary over time, and then deduct those benefits dating back to the evaluation date.

Cease to Recognize Financial Instruments:

Financial assets (or, when necessary, part of a financial asset or part of a group of similar financial assets) are derecognized (removed from the Company's statement of financial position) upon:

- Expiry of the right to receive cash flows from assets, or
- Transfer the Company's rights to receive cash flows from the asset or expects an obligation to pay the cash flows received in full without significant delay to a third party under a pass agreement, or
 - The Company has transferred all the risks and rewards of the asset, or
 - The Company has not transferred or kept all the risks and rewards of the asset but transferred control of the asset.

Clearing:

Financial assets and liabilities are offset and their net assets are included in the statement of financial position when there is a legally enforceable right and when the Company has an intention to settle on a net basis or to sell the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of income - insurance operations and the statement of comprehensive income of shareholders unless required or permitted by accounting standards or interpretations.

Zakat:

The Company is subject to Zakat according to the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia. Zakat is payable and charged to the comprehensive income statement of shareholders.

Sectoral Information:

The segment is an integral part of the Company providing products or services (business segment), which is subject to profit or loss that is different from the profit and loss of other segments. For administrative purposes, the Company consists of business units according to their products and services. It has five sectors to be reported on as follows:

- Property, covering the risks of fire insurance and other insurance operations that fall under this type of insurance
- Engineering, covering the risks of construction works, constructions, mechanical, electrical and electronic works, stopping of machines and machineries, and other insurance operations that fall under this type of insurance
- Motor, covering losses and liabilities related to motor
- Health, covering health insurance coverage
- Others, including miscellaneous and marine accidents

Segment information is reported in a manner consistent with the internal reports submitted to the Chief Operating Officer as the decision maker. The Chief Operating Officer, who makes strategic decisions, has been identified as the Chief Executive Officer, who is responsible for the diversity of resources and performance evaluation of the Sectoral Units.

No inter-segment transactions occurred during the period. If any transaction is expected to occur, it is carried at the exchange rate between the operating segments and is carried out on the same terms with other parties. Segment revenues, expenses and results include transfers between operating segments that will be eliminated at the level of the Company's financial statements.

Prepaid Expenses:

Prepaid expenses represent expenses that are not yet incurred but paid in cash. They are initially recognized as assets and measured in accordance with the cash amount paid. Subsequently, they are charged to the income statement of the insurance operations and the statement of comprehensive income of the shareholders as they are amortized or used over time.

Accrued Expenses and Other Liabilities:

Accrued expenses and other liabilities for future payments are recognized for goods and services, whether or not they are billed by the supplier.

Unearned Commission Income:

Commissions due on issued reinsurance contracts are deferred and amortized over the relevant insurance contracts. The amortization is recorded in the list of insurance operations.

Critical Judgments, Estimates and Assumptions:

The preparation of the financial statements requires the use of estimates and judgments that affect the recorded amounts of assets and liabilities, disclosure of potential assets and liabilities as of the date of the financial statements, and amounts of income and expenses declared for the presented year. Although these estimates and judgments are prepared in accordance with management's knowledge of current events and processes, actual results may differ from these estimates.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities for the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors including expectations of future events and which are expected to be reasonable due to the circumstances. The key assumptions regarding the future and other key sources of uncertainty estimation at the balance sheet date are discussed below. The following notes on accounting policies include additional details on the assumptions and judgments prepared by management.

• Final Liabilities Arising of Claims under Insurance Contracts

The estimation of the ultimate liability arising from claims under insurance contracts is the most significant accounting estimate for the Company. There are a number of uncertainties that need to be considered when estimating the final obligations that the Company will pay vis-à-vis these claims. The provision for claims incurred and not reported is an estimate of claims expected to be reported after the balance sheet date for the insured event that occurred before or after the statement of financial position date. The technical methods used by the Administration in estimating the cost of

reported claims as well as claims incurred are the same as the methods of payment of previous claims when forecasting future payment methods.

- **Impairment of Financial Assets Available For Sale**

The Company determines available-for-sale investments as impaired when there is a significant or continued decline in the fair value below cost. The determination of whether the decline is “significant” or “continued” requires that the estimates be made. To do so, the management assesses, inter alia, the normal change in equity prices, the financial position of the investee, industry and sector performance, changes in technology, and cash and operating cash flows. Impairment is appropriate when there is evidence of deterioration in the investee’s financial position, industry and sector performance, technical changes and cash flows from operating and financing activities.

- **Impairment Losses of Receivables**

The Company reviews receivables that are individually significant, as well as receivables included in a group of financial assets with similar credit characteristics to ensure impairment. Receivables that are individually reviewed for impairment and for which an impairment loss has been recognized or continues to be recognized are not recognized when collectively reviewed for impairment. This review of impairment requires judgment and estimate procedures. To do so, the Company evaluates credit characteristics that take into account past failures that are indicative of the ability to repay all amounts due under contractual terms.

- **Deferred Subscription Costs**

Certain subscription costs relating mainly to the acquisition of new contracts, such as deferred subscription costs, are recorded and amortized in the income statement - insurance operations over the period of the contract and in line with the relevant coverage conditions. If assumptions regarding the future profitability of these documents are not realized, these costs can be quickly amortized, and this may require an additional reduction in the income statement - insurance operations.

- **Going-concern principle**

The management evaluated the Company’s ability to continue operating in accordance with the principle of continuity and is convinced that the Company has sufficient resources to continue operating in the foreseeable future. Furthermore, management is not aware of any significant uncertainties that may raise significant doubts about the Company’s ability to continue to operate in accordance with the principle of continuity. Accordingly, these financial statements have been prepared in accordance with the principle of continuity.

6-5 Comprehensive Income Statements

Historical Income Data

Table (6-1): Income statement

(SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Comprehensive statement of income - insurance operations			
Revenue			
Total written premiums	1,412,841	1,863,478	2,167,856
Deducted: Reinsurance premiums assigned	(147,087)	(339,695)	(667,164)
Net written insurance premiums	1,265,754	1,523,783	1,500,692
Changes in unearned premiums	(232,271)	197,491	(76,850)
Net premiums earned	1,033,483	1,721,274	1,423,842
Reinsurance commission	31,816	56,482	415,332
Investment income	2,938	5,300	17,571
Other income	18,275	10,066	11,527
Total revenue	1,086,512	1,793,122	1,868,272
Costs and expenses			

(SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Total claims paid	811,098	1,444,794	1,955,189
Deducted: Reinsurers' share of paid claims	(59,383)	(62,084)	(353,885)
Net claims paid	751,715	1,382,710	1,601,304
Changes in claims under settlement and precautions	175,340	102,760	21,970
Net claims incurred	927,055	1,485,470	1,623,274
Costs of the subscription of insurance policies	55,958	171,927	217,666
Surplus loss expenses	22,574	27,211	38,750
Non-compliance asset reserve	-	-	2,005
Operating and administrative salaries	72,689	72,006	78,560
Other general and administrative expenses	31,331	44,905	51,880
Total costs and expenses	1,109,607	1,801,519	2,012,135
Deficit of insurance operations	(23,095)	(8,397)	(143,863)
Share of shareholders' deficit	23,095	8,397	143,863
Net result at the end of the year	-	-	-
Net change in fair value reserve for available for sale investments	(475)	1,566	(1,523)
Loss of re-measurement of defined benefit plans	-	-	(1,754)
Total comprehensive income (loss) for the year	(475)	1,566	(3,277)
Statement of comprehensive income - shareholders' operations			
Deficit transferred from insurance operations	(23,095)	(8,397)	(143,863)
Investment income	18,460	7,974	11,670
Non-compliance reserve	-	-	(16,466)
General and administrative expenses	(1,577)	(1,460)	(1,515)
Profit (loss) before Zakat	(6,212)	(1,883)	(150,174)
Provision for Zakat	(7,500)	(8,000)	(6,000)
Net loss for the year	(13,712)	(9,883)	(156,174)
Change in fair value reserve for investments available for sale	12,639	(4,487)	(6,441)
Gain on sale of available-for-sale investments	(13,688)	(3,415)	(6,460)
Total comprehensive loss for the year	(14,761)	(17,785)	(169,075)

Source: Malath Insurance Company

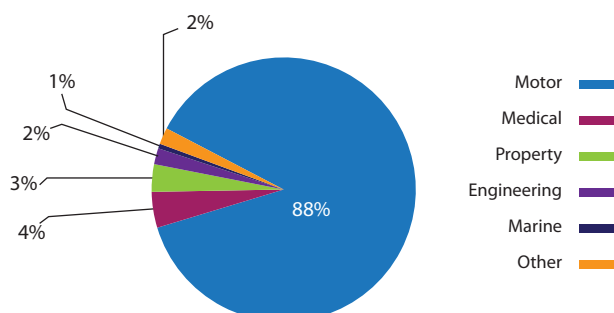
Total premiums written in 2015G increased to SAR 1,863 million from SAR 1,413 million in 2014G, an increase of 31.8% due to two main reasons: (a) the increase in the share of the damage coverage of Abdul Latif Jameel Company from 30% to 60% of which Malath captures the largest share of this policy, compared to competitors, (B) the price policy that improved in favor of Malath due to the performance of the policy during that period. Total written premiums continued to rise to SAR 2,168 million, or 16.4% compared to 2015G. The main reason for this increase was the coverage policy of Al Yusr for the full year which was SAR 288 million in 2016G.

The reinsurance commission increased from SAR 31.8 million in 2014G to SAR 415.3 million in 2016G, an increase of 1206.0% due to the commissions earned by the Company in respect of the vehicle sector contracts which amounted to SAR 379.6 million in 2016G.

Investment income from insurance operations increased from SAR 2.9 million in 2014G to SAR 5.3 million in 2015G, a rise of 82.8% due to the increase in income from deposits with financial institutions.

The costs of the insurance policies are related to commissions paid to customers, brokers and marketing representatives and are mostly related to sales activities to maintain important accounts in the market. These costs increased from SAR 56 million in 2014G to SAR 217.7 million in 2016G or 288.8% due to the shift of Abdullatif Jameel's policy from direct sources to Abdullatif Jameel Agency after its establishment in 2015G.

Premiums written of Insurance Sector 2016



Investment income consists mainly from commission income on short term murabaha deposits and commission income on available for sale investments. The management changed the investment plan in 2016G for a temporary period and made some liquidations, which led to an increase in commission income on investments available for sale. In addition, the rate of return on Murabaha investments during the period increased by SAR 2.2 million.

Other income consists mainly of fees for issuing insurance contracts (SAR 25 per contract) and premiums from foreign motor crossing the Saudi borders. Other income decreased by SAR 18.3 million in 2014G to SAR 11.5 million in 2016G, a decrease of 37.2% due to combining the motor insured by Arab National Bank under one policy to accelerate issuance operations.

Operating and administrative expenses increased from SAR 72.7 million in 2014G to SAR 78.6 million in 2016G, an increase of 8.1%. Other operating and administrative expenses increased from SAR 31.3 million in 2014G to SAR 51.9 million in 2016G, a 65.8% increase due to an increase in doubtful accounts by SAR 12.7 million. The administration said that the reason for this increase is the slowdown in payments from customers due to lack of liquidity in the market.

The non-compliance asset reserve amounted to SAR 18.5 million in 2016G and is intended to impose penalties on companies with low solvency ratios. Even if the calculation method is based on the actuarial as of 31 December 2015G but it will need to be recorded in stages as of 30 June 2016G. This reserve is calculated based on the current investment position that has an increasing proportion of non-liquid investments or high risk. Accordingly, based upon that and the needs to improve cash and financial solvency, the Company changed its strategy by increasing its investment in short term deposits and liquidated its investments in the GCAA and HSBC bonds at the end of 2016G. As a result, return on investment income in 2016G rose to SAR 11.7 million. The return on deposits increased by SAR 2.2 million and the return on investment in equities increased by SAR 3.3 million during 2016G. The asset non-compliance provision requires 25% of Sukuk and 50% of equity investments to be avoided.

Zakat provision increased from SAR 7.5 million in 2014G to SAR 8 million in 2015G due to the increase in Zakat base due to the decrease in losses before Zakat. In 2016G, the provision was reduced to SAR6 million due to the increase in losses before Zakat and then the Zakat base.

The net results of the IPO decreased from SAR 59.7 million in 2014G to SAR 40.5 million in 2016G by 167.8% due to an increase in net incurred claims by SAR 696.2 million which was offset by a growth in reinsurance commission income by SAR 383.5 million over the period.

As shown in the table below, in 2016G, motor insurance accounts for the largest percentage of total written premiums, representing 87.7%, followed by medical insurance of 4.4%, followed by insurance of property, engineering, marine and others. The vehicle policy of Abdul Latif Jameel Company is considered one of the most important reasons for issuing motor insurance premiums written by Malath Company. The engineering sector was affected by the slow growth of the Saudi economy in terms of contracting and construction projects.

Insurance premiums written by type of insurance

Table (6-2): Insurance premiums written by type of insurance

Insurance type (SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G	CAGR 2014G – 2016G
Motor	1,159,180	1,585,736	1,900,633	28%
Medical	86,745	91,653	95,160	4.7%
Property	77,952	80,367	72,980	(3.2%)
Engineering	47,908	43,757	42,565	(5.7%)
Marine	13,090	18,662	12,664	(1.6%)
Other	27,966	43,303	43,854	25.2%
Total	1,412,841	1,863,478	2,167,856	23.9%

Source: Malath Insurance Company

Motor insurance

The total written premiums for motor increased from SAR 1,159 million in 2014G to SAR 1,586 million in 2015G due to two main reasons: (a) the increase in the share of the damage coverage of Abdul Latif Jameel from 30% to 60% of which Malath acquires the largest share of this policy, compared to competitors, and (b) the price policy that improved in favor of Malath due to policy performance in that period. The total written premiums continued to rise to SAR 1,901 million in 2016G. The main reason for this is the annual coverage policy of Al Yusr, which stood at SAR 287.7 million in 2016G compared to SAR 106.9 million in the year 2015G.

Medical Insurance

The increase in total written premiums from SAR 86.7 million in 2014G to SAR 95.2 million in 2016G. The main reason for this is the high price of the policy with Al-Mana Hospital by SAR 3.2 million due to the increase in the number of employees under insurance.

Property Insurance

The increase in gross written premiums from SAR 78 million in 2014G to SAR 80.4 million in 2015G is mainly due to the increase in policy pricing with the Saline Water Conversion Corporation by SAR 3.5 million due to new facilities and factories added to the insurance policy. It is noteworthy that the Saline Water Conversion Corporation's policy represents about 34% of the total premiums in the property sector in 2016G. The total premiums written in 2016G decreased due to the decrease in premiums from STC amounting to SAR 3.7 million, which was mainly due to the reduction in the policy price as a result of increased competition in the market.

Engineering Insurance

Total written premiums decreased from SAR 47.9 million in 2014G to SAR 42.6 million in 2016G due to the gradual slowdown in the economic situation and consequently the amount of activity and the number of construction and infrastructure projects in the Kingdom. As the management of Malath said, the total volume of insurance in respect to engineering insurance and marine insurance has declined significantly.

Marine Insurance

The total written premiums increased from SAR 13.1 million in 2014G to SAR 18.7 million in 2015G. The main reason for this is the increase in the price of Al Qusaibi Trading Company's policy by SAR 3.9 million. The decline to SAR 12.7 million in 2016G was due to the slowdown in the economic situation in general and in commercial activities in particular.

Premiums Written By Customer

Table (6-3): Written premiums from the top 10 clients

Type of Insurance (SAR'000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G	CAGR 2014G – 2016G
Abdul Latif Jameel	494,932	839,377	870,519	32.60%
Al Yusr Company for Installments	264,839	106,860	287,685	4.20%
Arab National Bank	157,185	253,920	270,124	31.10%
Saline Water Conversion Corporation	39,651	49,194	63,223	26.30%
Best Trading Company	39,893	19,889	33,263	(8.70%)
Abdul Latif Jameel Finance Company	9,872	32,638	32,971	82.80%
Al-Mana General Hospital	14,808	15,610	18,025	10.30%
Saudi Electricity Company	10,274	14,402	14,559	19%
Abdul Rahman Al - Gosaibi Company	-	10,913	13,202	0%
Al Yamama Company	9,294	12,019	12,019	13.70%
Other	372,093	508,655	552,265	21.80%
Total	1,412,841	1,863,478	2,167,856	23.90%

Source: Malath Insurance Company

The table above shows the top 10 accounts for Malath's customers between 2014G and 2016G. Malath focuses on serving some important customers who make up a large proportion of the Company's premiums. The ten largest policies mentioned in the above table amounted to approximately 74% during the period between 2014G and 2016G.

1- Abdul Latif Jameel Company

The insurance policy of Abdul Latif Jameel Company is the largest among all insurance policies in the portfolio of Malath Company, accounting for 40.2% of the total written premiums of the Company in 2016G. The management of Malath has classified Abdul Latif Jameel as a strategic customer as it may provide opportunities to start new relationships with clients in the market and thus improve the Company's portfolio and the strength of negotiation in the market. The total premiums written by Abdul Latif Jameel increased from SAR 494.9 million in 2014G to SAR 870.5 million in 2016G. The main reason for this is the increase in the share of the damage coverage from 30% to 60% and the increase of the policy price for motor due to the decline in the performance of the account in the previous periods.

2- Al Yusr Company for Installments

The total written premiums of Al Yusr Company decreased from SAR 264.8 million in 2014G to SAR 106.9 million in 2015G due to the request of Al Yusr to extend the coverage period for an additional four months after the expiry date of the contract in 2015G. The reason for this extension was that Al Yusr wanted to change the timing of the policy to the first quarter of the year to meet the liquidity requirements of Al Yusr. Total written premiums increased to SAR 287.7 million in 2016G, representing a one-year coverage of an insurance policy.

3- Arab National Bank

The total premiums written by Arab National Bank increased from SAR 157.2 million in 2014G to SAR 270.1 million in 2016G due to the significant increase in the quantity of insured motor following the marketing campaigns carried out by Arab Bank during the period.

4- Saline Water Conversion Corporation

The Saline Water Conversion Corporation's policy is the largest of the general types of insurance, including property insurance, engineering insurance and marine insurance. Total premiums written by Saline Water Conversion Corporation increased from SAR 39.7 million in 2014G to SAR 63.2 million in 2016G. The main reason for this is the addition of under-insurance facilities including a new desalination plant in Jubail.

5- Best Trading Company

Al-Afdal (Best) Trading Company is the leasing arm of Abdul Latif Al-Issa Motor Company and also a sister company of Al-Yusr Installment Company. This account followed similar arrangements in Al Yusr.

6- Abdul Latif Jameel Financing Company

This policy covers the life span of the Abdullatif Jameel Group and life insurance coverage. The first is to provide compensation for the fatal accidents of employees and management of Abdul Latif Jameel. The second is compensated for the remaining rental payments for insured motor in case of fatal accidents. The coverage of life insurance was made through Abdul Latif Jameel Agency in the year 2015G and Malath was the exclusive company in all the work of the Agency. This was the reason for the increase in gross written premiums from SAR 9.9 million in 2014G to SAR33 million in 2016G.

7- Al-Mana General Hospital

This account relates to medical policies for hospital staff. Malath's management said that the increase in gross written premiums from SAR14.8 million in 2014G to SAR18 million in 2016G was due to the increase in the number of insured employees following the increase in activity at Al Mana Hospital.

8- Saudi Electricity Company

This policy relates to coverage of property and facilities, including underground cables. This policy is shared with other competitors in the insurance sector, wherein Malath holds 15% of the total insured in 2016G. The total written premiums increased from SAR10.3 million in 2014G to SAR14.6 million in 2016G after Malath increased its stake in the policy from 10% in 2014G to 15% in 2016G as mentioned above.

9- Abdul Rahman Al-Gosaibi Company

Abdul Rahman Al-Gosaibi works in the field of pharmaceutical and medical supplies. The total premiums written by Arab National Bank increased from SAR10.9 million in 2014G to SAR13.2 million in 2016G due to the positive change in favor of Malath in terms of policy price.

10- Al Yamamah Company

This policy is mainly related to the insurance coverage of Al Yamamah cleaning trucks. Total written premiums increased from SAR 9.3 million in 2014G to SAR 12 million in 2016G due to the increase in price for each vehicle between 2015G and 2016G.

Insurance Premiums Written by Sales Channels

Table (6-4): Premiums written by channel of sale

Channel of Sale (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Agents	152,345	954,853	1,052,761	162.90%
Mediators	554,496	467,666	653,422	8.65
Direct sales	706,000	440,959	461,673	(19.10%)
Total	1,412,841	1,863,478	2,167,856	23.90%

Source: Malath Insurance Company

The above table shows the gross premiums written by sales channels. The sudden change in the type of sales has changed from direct sales to sales through agents and brokers during the period between 2014G and 2016G. Abdul Latif Jameel Agency was established in the year 2015G for the purpose of managing the insurance activity in Abdullatif Jameel Company. This agency is not limited to the scope of the work of Abdullatif Jameel; therefore, it helps to bring in additional premiums from other types of insurance.

Agents

They are generally tied in with Abdul Latif Jameel Agency for Motor insurance policies. Total written premiums from customers strongly increased from SAR 152.3 million in 2014G to SAR 954.9 million in 2015G due to the establishment of Abdullatif Jameel Agency in 2015G, which led to the change of many sales to be through the channels of agents. Total written premiums continued to rise to SAR1,053 million in 2016G.

Brokers (Mediators)

Total written premiums decreased from SAR554.5 million in 2014G to SAR467.7 million in 2015G due to the extension of the Al Yusr contract which led to a decrease in gross written premiums by SAR 86.8 million during the same period. Total premiums written in the following year rose to SAR 653.4 million due to the full year coverage of Al Yusr. Commissions paid to brokers are the highest among the three sales channels because of the bargaining power of brokerage firms.

Direct Sale

Direct sales represents all sales and businesses that come directly through the sales team at Malath, including policies that come from the marketing representatives. Policies through direct sale usually have lower commissions that are less than other sales channels. Sales shifted from direct sales to agents after the establishment of Abdullatif Jammal Agency as mentioned above, which led to a decrease in gross written premiums from SAR706 million in 2014G to SAR441 million in 2015G. Total written premiums increased slightly in 2016G due to increased liability of related parties

Assigned Premiums for Reinsurers

Table (6-5): Premiums Assigned for Reinsurers by Type of Insurance

Type of Insurance (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Motor	11,060	218,691	563,583	613.80%
Property	75,052	70,618	71,321	(2.50%)
Engineering	44,067	42,485	42,882	(1.4%)
Marine	10,137	14,287	9,387	(3.80%)
Medical	9,487	4,111	2,335	(50.40%)
Other	19,858	16,714	16,406	9.10%
Total	169,661	366,906	705,914	104%

Source: Malath Insurance Company

Premiums assigned for reinsurers increased significantly during the period under consideration from SAR169.7 million in 2014G to SAR705.9 million in 2016G due to the reinsurance agreement related to the vehicle's portfolio. The agreement was signed by Saudi Reinsurance Company to maintain certain solvency ratios during the period.

Motor

Premiums assigned for reinsurers increased from 1% in 2014G to 13.8% in 2015G. The main reason is the re-insurance agreement with the Saudi reinsurance company mentioned above. In addition, because of the differences between the reinsurance treaty and the policy start date, Abdullatif Jameel's policy was covered by the treaty in 2016G, resulting in a 29.7% increase in premiums assigned for reinsurers in 2016G. Please note that Abdullatif Jameel Personal Injury Policy is excluded from the treaty because of its good performance compared to the risks of the third party liability policies.

Property

The percentage of premiums assigned to reinsurers decreased from 96.3% in 2014G to 87.9% in 2015G. The management of Malath took a strategic decision to maintain some important accounts to improve the risks in the portfolio in order to help negotiate the terms of the treaties such as the more commissions, for example. In 2016G, the premiums assigned to the reinsurers rose to 97.7%, which is the normal rate of premiums assigned for property reinsurers.

Engineering

Premiums assigned for reinsurers increased from 92% in 2014G to 100.7% in 2016G due to voluntary reinsurance in respect to property commissions in Jubail.

Medical

Losses from medical insurance policies are covered by surplus treaty losses in the past period. Due to the lack of risk in the portfolio as a result of the low rates of losses, the management of the Company decided to increase the coverage limit from 25 thousand riyals to 50 thousand riyals and thus reduce the surplus losses. This has had a major and significant impact on the low rate of premiums assigned to reinsurers during the period between 2014G and 2016G.

Marine

The percentage of premiums assigned to reinsurers remains relatively stable at 76% during the period between 2014G and 2016G.

Other Insurance Types

The significant decline in the percentage of premiums assigned to reinsurers from 71% in 2014G to 37.4% in 2016G is due to the full maintenance of the life policy of Abdul Latif Jameel Company. The policy started in 2015G, and the Company wanted to keep it in full because of the low rate of losses

Reinsurance Commission

Table (6-6): Reinsurance Commission

Type of Insurance (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Motor	-	31,854	379,582	0%
Property	21,775	25,123	25,048	7.30%
Medical	15,693	19,612	21,717	17.60%
Engineering	3,543	5,301	3,393	(2.10%)
Marine	7,770	8,551	9,206	8.80%
Other	48,781	90,441	438,946	200%
Paid commissions	(16,965)	(33,959)	(23,614)	18%
Change in the cost of deferred insurance policies	31,816	56,482	415,332	261.30%

Source: Malath Insurance Company

Motor

Motor insurance commissions increased as a percentage of reinsurance premiums from zero in 2014G to 67.4% in 2016G. The increase was due to the commissions that came from the reinsurance agreement signed with Saudi Reinsurance Company. Malath obtained a large amount of commissions from this agreement with the Saudi Reinsurance Company which amounted to SAR 379.6 million in 2016G.

Property

Motor insurance commissions as a percentage of reinsurance premiums increased from 29% in 2014G to 35.1% in 2016G due to the increase in commission rates for voluntary reinsurance. The Company's management said that this rise in rates is due to the Company's historical performance, improved risk management position in the Company and thus improved terms of negotiation in the treaty.

Engineering

As for property insurance, the increase in engineering insurance commissions as a percentage of reinsurance premiums from 35.6% in 2014G to 50.6% in 2016G was due to the higher commission rates for voluntary reinsurance.

Marine

Marine insurance commissions as a percentage of reinsurance premiums remained relatively stable at 36% during the period between 2014G and 2016G.

Other Insurance Types

Commissions of other types of insurance (other) as a percentage of reinsurance premiums increased from 39.1% in 2014G to 56.1% in 2016G due to the increase in commissions in the policies of various types of insurance.

Subscription Costs of Insurance Policies

Table (6-7): Subscription costs of insurance policies

Type of Insurance (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Motor	59,932	151,542	178,414	72.50%
Property	6,639	8,480	7,032	2.90%
Medical	4,913	5,404	5,966	10.20%
Engineering	3,111	2,264	2,295	(14.10%)
Marine	1,787	2,663	1,824	1%
Other	1,435	4,964	22,955	299.90%

Type of Insurance (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Paid commissions	77,818	175,317	218,486	67.60%
Change in the cost of deferred insurance policies	(21,860)	(3,390)	(820)	(80.60%)
Total	55,958	171,927	217,666	97.20%

Source: Malath Insurance Company

Most of the subscription costs of Malath insurance policies came from motor insurance policies, which accounted for 84% of the total paid commissions and were mostly related to commissions paid to Abdul Latif Jameel Agency in 2015G. The cost of insurance policies for other types (Other) of insurance has remained relatively low during the past period.

Motor

Commissions paid as a percentage of total written premiums increased significantly from 5.2% in 2014G to 9.4% in 2016G due to the establishment of Abdullatif Jameel Agency in the year 2015G which resulted in the acquisition of Abdullatif Jameel through the Agency. It is noted that the Abdullatif Jameel policy was direct sales. Therefore, commissions paid out of the total written premiums for motor in 2014G were 5.2%, which is lower than that in 2015G (9.6%) and 2016G (9.4%).

Property

Commissions paid as a percentage of total written premiums rose from 8.5% in 2014G to 10.6% in 2015G due to the increase in the gross premiums written by Saudi Electricity Company by SAR 4.1 million. The commissions paid out of total written premiums for property decreased to 9.6% in 2016G due to the increase in the total written premiums coming from the Saline Water Conversion Corporation.

Medical

Commissions paid as a percentage of total written premiums rose from 5.7% in 2014G to 6.3% in 2016G. One of the main reasons for this is the gradual decline in sales of the medical retail sector in line with the new requirements of the Cooperative Health Insurance Council.

Engineering

As in property, the increase in the total insurance premiums written by Saudi Electricity Company (the highest in engineering insurance) led to a decrease in commission rate paid from total written premiums from 6.5% in 2014G to 5.4% in 2016G.

Marine

Commissions paid as a percentage of total written premiums increased from 13.7% in 2014G to 14.4% in 2016G due to the increase in gross premiums written in respect to Abdulrahman Al Gosaibi's company which was through a brokerage company.

Other Insurance Types

Commissions paid as a percentage of total written premiums rose from 5.1% in 2014G to 11.5% in 2016G due to the life policy of Abdullatif Jameel, as the exclusive liability company for the policies of Abdul Latif Jameel. In 2016G, commissions paid as a percentage of total written premiums rose to 52.3%.

Table (6-8): General and administrative expenses

General and Administrative Expenses				
Type of Expense (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Operational And Administrative Salaries	72,689	72,006	78,560	4%
Inspection Fees	6,618	9,785	8,601	14%
Provision For Doubtful accounts	(5,317)	1,000	7,400	N/A
Rents	6,839	7,022	7,218	2.70%
Professional Fees	4,136	3,729	6,177	22.20%
Deduction Tax	2,275	7,972	3,401	22.30%
Consumption Expenditure	3,715	2,981	2,627	(15.90%)

General and Administrative Expenses				
Type of Expense (SAR '000)	The year ended on 31 December 2014G	The year ended on 31 December 2015G	The year ended on 31 December 2016G	CAGR 2014G – 2016G
Other	13,065	12,416	16,456	12.20%
Total	104,020	116,911	130,440	12%

Source: Malath Insurance Company

Operational and Administrative Salaries

Operating and administrative salaries increased from SAR 72.7 million in 2014G to SAR 78.6 million in 2016G due to the increase in the number of employees, including senior management staff, following the increase in activity and operations in Malath during the period.

Inspection Fees

These fees are mostly related to inspection fees from SAMA and the Cooperative Health Insurance Council. These fees increased from SAR 6.6 million in 2014G to SAR 9.8 million in 2015G due to the increase in premiums assigned to reinsurers outside the Kingdom. Inspection fees decreased to SAR 8.6 million in 2016G despite the increase in gross premiums written due to the increase in local reinsurance.

Provision for Doubtful Accounts

The collection improved in Malath Company in the year 2014G; doubtful accounts of SAR 5.3 million riyals were reversed. Then in 2015G and 2016G due to the overall slowdown of the economy and the impact on liquidity in the market, the uncollectible debts were calculated by a million and 7.4 million riyals, respectively.

Rents

These relate to the rental costs of Malath showrooms, sales centers and administrative buildings. These costs increased from SAR 6.8 million in 2014G to SAR 7.2 million in 2016G due to the gradual increase in the value of the lease.

Professional Fees

This relates to the cost of consultations along with some routine fees for accounting audits and other costs. Professional fees amounted to SAR 4.1 million, which included a one-time paid fee for a particular service. Professional fees rose from SAR 3.7 million in 2015G to SAR 6.2 million in 2016G mainly due to the fees paid by Malath Consulting for the implementation of restructuring plans including increase of capital consultations.

Deduction Tax

The deduction (withholding) tax increased due to taxes imposed on global reinsurance. Taxes increased from SAR 2.3 million in 2014G to SAR 8 million in 2015G due to the new law of Zakat and Income Tax Authority to impose taxes from the total reinsurers' premiums instead of net. The deduction tax decreased to SAR 3.4 million in 2016G, which represents the normal level of taxes imposed.

Consumption Expenditure

These expenses decreased during the period between 2014G and 2016G due to the small additions to the fixed assets according to the requirements of the Company.

Other General and Administrative Expenses

There was a fluctuation in these expenses during the period between 2014G and 2016G which consists mainly of IT expenses, advertising and promotion expenses and office supplies. Also, training and development expenses decreased from SAR 2 million in 2014G to SAR 404 thousand in 2015G due to the discontinuation of a training program for non-executive employees outside the Kingdom.

6-6 Statement of financial position

Historical data of the financial statement

Statement of financial position			
(SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Assets of insurance operations			
Cash and cash equivalents	457,254	538,794	807,533
Short term Murabaha deposits	50,621	235,766	75,000
Investments available for sale	35,303	36,869	5,346
Receivables, net	457,636	263,678	158,624
Reinsurers share of unearned premiums	59,928	188,724	118,149
Reinsurance share of claims under settlement	478,067	264,567	163,740
Deferred subscription costs	43,737	47,127	47,947
Prepaid expenses and other assets	16,410	18,462	22,819
Property and equipment, net	8,045	6,676	7,402
Amounts due from shareholders' operations	23,095	8,397	143,863
Total assets of insurance operations	1,630,096	1,609,060	1,550,423
Shareholders' assets			
Cash and cash equivalents	79,518	80,324	151,498
Short term Murabaha deposits	15,000	-	3,446
Investments available for sale	192,006	174,907	72,834
Regular deposit	30,000	30,000	45,000
Prepaid expenses and other assets	467	1,078	1,249
Total assets of shareholders	316,991	286,309	274,027
Total assets	1,947,087	1,895,369	1,824,450
Liabilities for insurance operations			
Reinsurers' credit balances	37,690	180,203	42,122
Unearned premiums	544,583	475,888	482,163
Uninsured reinsurance commissions	16,965	33,959	23,614
Claims under settlement and reserves	843,636	732,896	654,040
Claims, accruals and other liabilities	178,618	175,944	339,586
Non-compliance reserve	-	-	2,005
Distributions of surplus due	8,301	8,301	8,301
Total liabilities of insurance operations	1,629,793	1,607,191	1,551,831
Fair value reserve for investments available for sale	303	1,869	346
Loss of re-measurement of defined benefit plans	-	-	(1,754)
Total liabilities and surplus of insurance operations	1,630,096	1,609,060	1,550,423
Shareholders' liabilities			
Provision for Zakat	17,121	18,923	20,307

Statement of financial position			
(SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Accrued expenses and other liabilities	556	555	586
Investment of statutory deposit	-	-	3,446
Non-compliance reserve	-	-	16,466
Amounts due for insurance operations	23,095	8,397	143,863
Total shareholders' liabilities	40,772	27,875	184,668
Shareholders' equity			
Share Capital	300,000	300,000	300,000
Statutory reserve	2,131	2,131	2,131
Accumulated losses	(47,023)	(56,906)	(213,080)
Fair value reserve for investments available for sale	21,111	13,209	308
Total equity	276,219	258,434	89,359
Total liabilities and shareholders' equity	316,991	286,309	274,027
Total liabilities and surplus of insurance operations and shareholders' equity	1,947,087	1,895,369	1,824,450

Source: Malath Insurance Company

Assets of insurance operations:

Cash and cash equivalents			
(SAR '000)	Year ended on 31 December 2014G	Year ended on 31 December 2015G	Year ended on 31 December 2016G
Cash in the Fund	38	85	10
Cash with banks	24,716	83,709	86,499
Term deposits (less than 3 months)	432,500	455,000	721,024
Total cash and cash equivalents	457,254	538,794	807,533

Cash from insurance operations and similar short-term deposits, which did not exceed 3 months, rose as prices and sales volumes increased, investment focus on Murabaha maturing in less than 3 months, and concurrently with the requirement of a provision for non-compliance of assets that protects against concentration in assets classified as dangerous and non-liquid. In 2016G, cash jumped to SAR 807.5 million from SAR 457.3 million in 2014G. The decrease in short-term deposits in 2016G is due to the liquidation of deposits maturing in more than 3 months and converting them into deposits maturing in less than 3 months due to the increase in the interest rate and thus benefiting from the return. While the rise in short-term deposits in 2015G was favorable due to the increased cash flow from Abdul Latif Jameel Company. Available-for-sale investments decreased from SAR 35.3 million in 2014G to SAR 5.3 million in 2016G through liquidation following SAMA's decision to create a provision for non-compliance.

The assets of the insurance operations amounted to SAR 1,630.1 million in 2014G representing 83.7% of the total assets of the Company and increased to 85.0% by the end of 2016G. Shareholders' assets reached 317.0 million riyals by the end of 2014G, as the ratio of shareholders' assets to the Company's assets amounted to 16.3% and decreased to 15.0% by the end of 2016G.

Net receivables amounted to SAR 457.6 million in 2014G as a result of the acquisition of Al Yusr Company's policy at the end of 2014G, which accounted for 58.6% of the total net. Accounts receivable in 2015G declined mainly as a result of extending Al Yusr Company policy for 4-month rather than renewing it. In 2016G net receivables continued to decline due to lower payments by policyholders.

The reinsurers' share of unearned premiums increased from SAR 59.9 million in 2014G to SAR 188.7 million at the end of 2015G and was followed by a decrease to SAR 118.1 million as a result of the termination of the contract with Saudi Reinsurance Company in mid 2016G. The reinsurers' share of outstanding claims decreased to SAR 163.7 million in 2016G due to the establishment of the outstanding claim reserve for the Saline Water Conversion Corporation. The deferred

subscription costs increased by 9.7% from SAR 43.7 million in 2014G to SAR 47.9 million at the end of 2016G as a result of the increase in written premiums from the Arab National Bank's policy.

The prepaid expenses increased gradually between 2014G-2016G from SAR 16.4 million to SAR 22.8 million due to the following factors:

- Employee benefits increased from SAR 6.1 million to SAR 7.7 million in 2016G due to the increase in the number of employees in the Company
- The increase in commissions due to Murabaha deposits from SAR 380 thousand to SAR 3.4 million in 2016G due to increased investments in short term Murabaha deposits
- Payments made to employees fluctuated during the review period to reach SAR 1.8 million by the end of 2016G. These payments constitute prepaid salaries and housing loans.

Property and equipment have been maintained at a constant level over the past three years, mainly consisting of rented premises and computer equipment. Some equipment was added during the review period, resulting in higher depreciation.

Property, Buildings and Equipment:

The item of property and equipment decreased to SAR 7,402 thousand by the end of 2016G, and in the amount of 643 thousand riyals compared to 2014G. In 2016G, the Company added some additions to the improvements to rented buildings, computers, computer programs (Software), furniture, office equipment with a total value of SAR 36,615 thousand. The total depreciation charged at the end of 2016G amounted to SAR 29,213 thousand.

The Company's fixed assets are highly depreciated and the remaining value for depreciation is estimated at 20.2%. These assets have been acquired at the same level over the past three years and have mainly consisted of leased premises for the Company's operations, computers and computing software used by the Company:

Depreciation percentages for the Company's main items

item	Percentage
Leasehold improvements	20%
Computers	25%
Computer Programs	10%
Furniture	10%
Office equipment	20% – 25%
Cars	25%

The Company derecognizes any item of property, equipment or any significant part that has been recognized in advance when it is derecognized or the lack of economic benefits expected from its use or disposal. Any gain or loss arising from the disposal of the asset (calculated on the basis of the difference between the net proceeds of sale and the carrying amount of the asset) will be included the income statement - Insurance operations when the asset is derecognized.

The Company does not expect any change in the calculations of depreciation policies.

Shareholders' Assets:

Cash and cash equivalents during the period 2014G-2016G increased from SAR 79.5 million to SAR 151.5 million in line with the Company's plan to increase net assets accepted and to limit the impact on the Company's recent reserves.

Available-for-sale investments decreased from SAR 192.0 million to SAR 72.8 million during the years 2014G-2016G due to the liquidation of some investment centers as required by the SAMA, which requires maintaining provisions for investments in equity. The Company has changed its strategy of investing in available-for-sale investments to keep more cash and invest in short term deposits (Murabaha) in line with the changing investment climate in the Kingdom and improving the Company's margin of solvency.

By virtue of the current deficit and the current status of the Company, the SAMA regulation requires a reserve ratio of capital, which led to the increase of the statutory deposit from SAR 30 million to SAR 45 million in 2016G.

Insurance Operations Liabilities:

Reinsurers' balances increased by 378.1% from 2014G to 2015G as a result of the agreement signed with Saudi Reinsurance Company. As a result of the cancellation of the reinsurance contract in mid-2016G, reinsurers' credit balances declined to SAR 42.1 million.

Unearned premiums were affected by a change in the eligibility of Al Yusr's policy, which caused a decline in 2015G to SAR 475.9 million. However, it was improved slightly in 2016G, coinciding with the general improvement in written premiums of about SAR 482.2 million riyals.

The improvement in unearned reinsurance commissions in 2015G resulted from the increase in reinsurance commissions related to the agreement with Saudi Reinsurance Company and the decrease in 2016G to SAR 23.6 million in the aftermath of the termination of the aforementioned agreement. Claims under settlement and reserves have decreased due to the settlement of the Saline Water Conversion Corporation's claims.

The outstanding claims amounted to SAR 49.8 million at the end of 2015G compared to 63.9 million at the end of 2014G, due to the increase in the number of employees to support the expansion of operations as well as encouraging the holders of documents to submit their claims by telephone or internet. In 2016G, the balance of outstanding claims increased to SAR 126.6 million, mainly due to the settlement of a SAR 50 million claim with Saline Water Conversion Corporation,

Table (6-9): Outstanding claims

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2014G	Year ended on 31 December 2016G
End of Year	63,897	49,844	126,573

Source: Audited financial statements of Malath Insurance Company

The distributions of the due surplus, which represent the profits due to policyholders remains at the same level in 2012 due to the lack of surplus in previous years. In mid-2016G, SAMA imposed a separate provision for non-conformity of assets due to the deficit in the Company which amounted to SAR 293.3 million compared to a minimum solvency required of SAR 331.0 million by the end of 2016G.

Shareholders' Liabilities:

Table (6-10): Movements in the Zakat Allowance

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2014G	Year ended on 31 December 2016G
Beginning of the year	15,119	17,121	18,923
Provision for the year	7,500	8,000	6,000
Paid during the year	(5,498)	(6,198)	(4,616)
End of the year	17,121	18,923	20,307

Source: Malath Insurance Company

The gradual growth of the provision for Zakat is supported by the increase in the Zakat basis. In addition, an allocation of SAR14.3 million is recorded at the end of 2016G regarding the Company's objection to Zakat required for the period 2007-2010. Total shareholders' equity during the years 2014G-2016G decreased from SAR 276.2 million to SAR 89.4 million as a result of the increase in accumulated losses from 15.7% to 71.0% of the capital during the same period.

Table (6-11): Outstanding claims reserve table and percentage of total claims paid

Sector (SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2014G	Year ended on 31 December 2016G
Property	891.30%	572.30%	94.30%
Motor	7.40%	4.70%	1.60%
Engineering	1365.90%	1336.70%	1036.50%
Marine	227.60%	410.20%	413.70%
Health	4.30%	8.80%	9.60%
Other	272.40%	281.70%	95.60%
Total	58.80%	19.10%	8.60%

Source: Malath Insurance Company

The percentage of outstanding claims reserve out of the total paid claims in the property sector declined significantly from 891.3% in 2014G to 94.3% in 2016G due to the explosion of the Saline Water Desalination Plant and the effect on the engineering sector. The Department has adopted a new motor strategy in terms of employing modern techniques

that facilitate the transfer and settlement of claims resulting in lower claims under settlement. As for the health sector, the decision of the Health Insurance Council played a role in the increase of the percentage.

The accumulated losses increased from SAR 47 million in 2014G to SAR 213.1 million, with accumulated losses representing 71% of the capital in 2016G and 15.7% in 2014G. As a result, total shareholders' equity decreased to SAR 89 million in 2016G.

6-7 Statement of Financial Flows

Historical cash flow data

Table (6-12): Table: Cash flow schedule for insurance operations

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2016G	Year ended on 31 December 2014G
Cash flows from operating activities			
Net result of the year	-	-	-
Adjustments:			
depreciation	3,715	2,981	2,627
Loss on sale of available-for-sale investments	-	-	1,184
provision for doubtful accounts	(5,317)	1,000	7,400
Share of shareholders' deficit	(23,095)	(8,397)	(143,863)
Net result of the modified year	(24,697)	(4,416)	(132,652)
the changes:			
Receivables	(234,653)	192,958	97,654
Reinsurers share of unearned premiums	(26,383)	(128,796)	70,575
Reinsurance share of claims under settlement	(17,331)	213,500	100,827
Deferred subscription costs	(21,860)	(3,390)	(820)
Prepaid expenses and other assets	2,190	(2,051)	(4,357)
Reinsurers' credit balances	4,505	142,513	(138,081)
Unearned insurance premiums	258,654	(68,695)	6,275
Uninsured reinsurance commissions	7,853	16,994	(10,345)
Claims under settlement	192,671	(110,739)	(78,856)
Outstanding claims, accrued expenses and other liabilities	57,007	(2,675)	161,888
Non-compliance reserve	-	-	2,005
Due from shareholder operations	37,331	23,095	8,397
Net cash from operating activities	235,287	268,298	82,510
Cash flows from investing activities			
Additives for property and equipment, Net	(1,359)	(1,613)	(3,353)
Purchase of available-for-sale investments	(10,000)	-	-
Proceeds from sale of available for sale investments	10,000	-	28,816
Short term Murabaha deposits	74,379	15,000	160,766
Short-term Murabaha deposits	(40,000)	(200,145)	-
Net cash (used in) investment activities	33,020	(186,758)	186,229
Net change in cash and cash equivalents	268,307	81,540	268,739
Cash and cash equivalents, beginning of the year	188,947	457,254	538,794

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2016G	Year ended on 31 December 2014G
Cash and cash equivalents, end of the year	457,254	538,794	807,533
Additional non-cash information			
Loss of re-measurement of defined benefit plans	-	-	1,754
Change in fair value of investments available for sale	(475)	1,566	(1,523)
Converted from capital work under construction to leasehold improvements	(475)	(171)	-

Source: Malath Insurance Company

A net cash flow of SAR 235.3 million from operating activities was received during 2014G and SAR 268.3 million was received during the year 2015G. Net cash flow from operating activities decreased to SAR 82.5 million during 2016G, mostly due to shareholders' share of the deficit. Net cash flows from investing activities increased significantly to SAR 186.2 million during 2016G, mainly due to cash flow from short term Murabaha deposits amounting to SAR 160.8 million during the year. As shown in the table above, and as mentioned above, the Company has only added a small amount of property, equipment and others based on the Company's need. It is worth mentioning that there are no financing activities for the Company between 2014G and 2016. Net change in cash from insurance operations amounted to SAR 268.3 million, SAR 81.5 million and SAR 268.7 million during the years 2014G, 2015G and 2016G respectively.

Table (6-13): Table: Cash flow table of shareholders' operations

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2016G	Year ended on 31 December 2014G
Cash flows from operating activities			
Loss before Zakat	(6,212)	(1,883)	(150,174)
Adjustments:			
Impairment losses on available for sale investments	-	-	517
Gain on sale of available-for-sale investments	(13,688)	(3,415)	(6,460)
Share of shareholders' deficit of insurance operations	23,095	8,397	143,863
Income before changes in operating assets and liabilities	3,195	3,099	(12,254)
the changes:			
Commissions receivable	294	(612)	-
Prepaid expenses and other assets	-	-	(171)
Accrued expenses and other liabilities	-	-	31
Non-compliance reserve	-	-	16,466
Amounts due to insurance operations	(37,331)	(23,095)	(8,397)
Zakat paid	(5,498)	(6,198)	(4,616)
Net cash from operating activities	(39,340)	(26,806)	(8,941)
Cash flows from investing activities			
Short term Murabaha deposits	50,000	15,000	-
Regular deposit	-	-	(15,000)
Purchase of available-for-sale investments	(42,434)	(20,798)	(1,913)
Proceeds from sale of available for sale investments	52,321	33,410	97,028
Net cash from investing activities	59,887	27,612	80,115
Net change in cash and cash equivalents	20,547	806	71,174
Cash and cash equivalents, beginning of the year	58,971	79,518	80,324

(SAR '000)	Year ended on 31 December 2015G	Year ended on 31 December 2016G	Year ended on 31 December 2014G
Cash and cash equivalents, end of the year	79,518	80,324	151,498
Additional non-cash information			
Change in fair value reserve on investments available for sale	(1,049)	(7,902)	(12,901)
Investment of statutory deposit	-	-	3,446

Source: Malath Insurance Company

Net cash outflow from operating activities decreased by SAR 39.3 million during 2014G and decreased to SAR 26.8 million in 2015G and SAR 8.9 million in 2016G. Net cash flows from investing activities increased significantly to SAR 80.1 million during 2016G. The main reason is the cash flow from proceeds of sale of available for sale investments amounting to SAR 97 million during 2016G. As mentioned above, there are no financing activities for the Company between 2014G and 2016G. Net change in cash from shareholders' operations amounted to SAR 20.5 million, SAR 0.8 million and SAR 71.2 million during the years 2014G, 2015G and 2016G respectively.

7. Capitalization and Indebtedness

The Company's Share Capital is one hundred and twenty million Saudi Riyals (SAR 120,000,000) comprising twelve million (12,000,000) shares with an equal nominal value of ten Riyals (SAR 10) per share.

Directors confirm that the Company's Share Capital is not covered by any option right, and the Company has not given any privileges or preferential rights for the Founding Shareholders or other shareholders.

The Board of Directors of the Company, at its meeting held on 19/10/2016, decided to recommend to the Extraordinary General Assembly the reduction of the Company's Share Capital from three hundred million Saudi Riyals (SAR 300,000,000) to one hundred twenty million Saudi Riyals (SAR 120,000,000) by way of canceling eighteen million (18,000,000) shares of existing company shares. The Extraordinary General Assembly held on 01/07/1438H (corresponding to 29/03/2017) approved the recommendation of the Board of Directors to reduce the capital as mentioned in this paragraph

The Board of Directors recommended in its meeting convened on 15/03/1438H (corresponding to 14/12/2016G) to increase the Company's Share Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000) by way of offering Rights. The Company obtained the approval of the Saudi Arabian Monetary Agency to increase its capital in accordance with the letter No. 381000036835, dated 04/04/1438H (corresponding to 02/01/2017G) to increase the Company's Share Capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000) by way of offering Rights, by offering thirty eight million (38,000,000) Shares at par value of ten Saudi Riyals (SAR 10) per share.

On 08/01/1439H (corresponding to 28/09/2017G), the Extraordinary General Assembly of the Company approved the increase of the Company's Share Capital through a Rights Issue. The increase will be limited to the Eligible Shareholders registered at the end of the trading session on the day of the Extraordinary General Meeting (Eligibility Date) in accordance with the terms and conditions set forth in this Prospectus.

Board Members, Board Secretary and members of the Senior Management Declare:

- The Company has no issued or existing debt instruments, declared and not yet issued instrument, or any term loans which are covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.
- The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which are covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus
- It does not have any mortgage, rights or incumbents on the Company's properties as at the date of this Prospectus.
- It has no contingent liabilities or securities as at the date of this Prospectus.
- The Company's Share Capital is not under option as of the date of this Prospectus.
- The Company will have sufficient working capital to cover the 12 months following the date of this Prospectus.
- Other than the accumulated losses indicated in this Prospectus. there has been no material adverse change in the financial and trading position of the Company during the previous three years directly preceding the request for admission and listing of the new Right Issue Shares in addition to the period covered by the auditor's report until the date this Prospectus.
- As of the date of publication of this Prospectus, the Company has amended its Share Capital once since its inception by reducing it from three hundred million Saudi Riyals (SAR 300,000,000) to one hundred twenty million Saudi Riyals (SAR 120,000,000) on 01/07/1438H (corresponding to 29/03/2017).

8. Dividends Distribution Policy

8-1 Dividends Distribution

The shareholder shall be entitled to his share in the profits in accordance with the General Assembly's resolution issued in this respect. The resolution shall indicate the date of eligibility and the date of distribution. The entitlement to profits shall be to the shareholders registered in the Shareholders' Registers at the end of the Eligibility Day.

First: Insurance Operations Accounts:

The accounts of the insurance operation shall independent of the shareholders' income statement, as follows:

First: Accounts of insurance operations

- 1- There shall be a separate account for earned premiums, reinsurance commissions and other commissions
- 2- There shall be a separate account for the compensations incurred by the Company
- 3- The total surplus shall be determined at the end of every year, which represents the difference between the total premiums and the compensations, minus the marketing, administrative, operating expenses and the required technical provisions as per the regulatory instructions.
- 4- The net surplus shall be determined as follows: Added to the gross surplus mentioned in paragraph (3) above, or deducted from it for the insured from the investment income after calculating their money from the revenues and deduction of their realized expenses.
- 5- Distribution of the net surplus, either by distributing ten percent (10%) to the insured directly or by reducing their premiums for the following year, and ninety percent (90%) will be transferred to shareholders' account.

Second: Statement of shareholders' income

- 1- The profits of the shareholders shall be from the return on investment of shareholders' funds in accordance with the rules established by the Board of Directors
- 2- The share of the shareholders shall be from the net surplus according to paragraph 5 of item 1 of this Article.

Zakat and Provision

The Company shall:

- Set aside the determined Zakat and Income Tax.
- Set aside 20% of the net profits to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the 100% of the paid-up capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be to the extent that it serves the interests of the Company or ensures the distribution of fixed profits as much as possible to the shareholders.

The Company shall notify the Capital Market Authority without delay of any resolutions for the distribution of profits or recommendation. The profits to be distributed to the shareholders shall be paid in the place and on the dates determined by the Board of Directors in accordance with the instructions issued by the competent authority, taking into account the prior written approval of SAMA and taking into account the required solvency margin.

No dividends have been distributed during the past three years

9. Use of Offering Proceeds and Future Projects

Net Offering Proceeds:

The total proceeds from the Rights Issue Offering are estimated at three hundred and eighty million Saudi Riyals (SAR 380,000,000), out of which an amount of ten million Saudi Riyals (SAR 10,000,000) will be used to cover the expenses relating to the Offering, including fees of each of the Financial Advisor, Legal Advisor, lead Manager and Underwriters in addition to the advertising and printing expenses, and other offering related expenses. The net proceeds will be three hundred and seventy million Saudi Riyals (SAR 370,000,000) and will be used primarily to raise solvency rates and margins to meet the solvency requirements. Shareholders will not receive any of the proceeds.

Use of Net Proceeds:

Insurance companies in the Kingdom of Saudi Arabia conduct their business in accordance with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations as amended by SAMA from time to time.

The net offering proceeds will be used by the Company mainly to raise the solvency rates and margins to meet the solvency requirements mandated by SAMA on insurance companies operating in Saudi Arabia, and to finance the increase in the statutory deposit imposed on the Company by SAMA due to the increase in the Company's Share Capital. The shareholders will not receive any of the proceeds of the Offering. The proposed use of subtraction inputs is as follows

Proposed Use of Offering Proceeds

Description	Value (SAR Million)
Total Offering Proceeds	380
Estimated Offering expenses	(10)
Net Offering Proceeds	370

Source: the Company

Description	Value (SAR Million)
Total Offering Proceeds	380
Estimated Offering expenses	(10)
Net Offering Proceeds	370
Increase the statutory deposit by 15% according to SAMA requirements	57
Financial investments	313

Source: the Company

Financial investments through short and long-term investment assets and vehicles are included in solvency margin to enhance them taking into account related risks as follows

Investment type	Value (SAR Million)	% to Total
Investments in short-term investment portfolios	206	66%
Investments in bonds and long-term investments	107	34%
Net offering proceeds after deducting the statutory deposit	313	100%

In accordance with the requirements of Article (30) paragraph (c) of the Listing Rules, the Company will provide a quarterly report on the details of its use of the proceeds of the Rights Issue and will announce the developments in the use of proceeds to the public.

Use of the Offering net proceeds to increase the statutory deposit of the Company:

According to Article (58) of the Cooperative Insurance Companies Control Law, the Statutory Deposit shall be ten per cent (10%) of the paid-up capital and the Company may raise this percentage up to maximum limit of fifteen per cent (15%) based on the risks it encounters. Accordingly, the Company will allocate SAR 57 million from the Offering net proceeds as a statutory deposit, so that the total statutory deposit will become SAR 75 million, as per SAMA requirements.

Use of the Offering net proceeds to raise the solvency margin and over for the Company:

The Implementing Regulations of the Insurance Companies Control Law require insurance companies to maintain a minimum net amount of assets that can be included in the solvency margin account and translate this requirement to maintain the minimum full coverage (100%) of the solvency margin (net assets that can be included in the solvency account divided by Minimum solvency margin).

SAMA requires insurance companies to make their assets for the purpose of calculating the net assets to be included in the solvency account according to specific tables and percentages of SAMA, taking into account the following:

- The asset valuation shall not exceed its market value, excluding the assets for the protection and savings related to the investment portion.
- A maximum limit shall be twenty per cent (20%) of the total permitted assets associated with one party.

Article (66) of the Implementing Regulations of the Insurance Companies Control Law stipulates that a company engaged in general and health insurance shall maintain a minimum margin of solvency required by adopting the highest of any of the following three methods:

- Minimum capital requirement of one hundred million Saudi Riyals (SAR 100,000,000) for insurance companies that do not engage in reinsurance activity. (This limit is to be raised to SAR 200,000,000 (two hundred million Riyals) for companies practicing reinsurance activity).

Solvency margin of premiums shall be calculated according to the following:

- The rate of total claims incurred for previous years is classified according to Table (4) of the Implementing Regulations of the Insurance Companies Control Law.
- Net claims incurred for each activity are deducted net of the assigned reinsurance share so that the net claims incurred shall not be less than 50% of the total claims incurred for this activity.
- The required solvency margin is calculated by multiplying the relative coefficient by the adjusted net claims

Article (67) of the Implementing Regulations of the Insurance Companies Control Law stipulates that a company that is engaged in protection and savings insurance shall maintain a solvency margin that is calculated through the sum of the following:

- Four per cent (4.0%) of technical provisions to provide direct protection and savings.
- 0.3% of the total capital exposed to risks of individual protection and savings insurance policies after deducting the assigned reinsurance provided that the reinsurance amount shall not exceed 50% of the total capital exposed to risks of the individual protection and savings insurance policies.
- 0.1% of the total capital exposed to risk of the Group's insurance and savings insurance policies after deducting assigned reinsurance, provided that the reinsurance amount shall not exceed 50% of the total capital exposed to risk.

The table below details the solvency margin as of 31/03/2017.

	SAR Million	As at 31/03/2017G
1	Minimum Capital Requirement	100 Million
2	Required Solvency Margin for premiums	245 Million
3	Solvency Margin for claims	333 Million
	The maximum limit required for the Company's solvency margin (calculated by adopting the highest of the 1, 2 or 3 above)	333 Million
	Net assets to be included in the solvency margin	53 Million
	Solvency Margin Cover (%)	16%

The Company did not comply with the minimum 100% solvency margin imposed by SAMA. The margin was 16% as at 31/03/2017, which required the Company to increase its capital to meet this minimum requirement.

The table below shows the expected contribution of the net proceeds to raising the solvency margin to a higher level than the SAMA ceiling for the next few years.

SAR Million	31/12/2015G	31/12/2016G*	31/12/2017G	31/12/2018G	31/12/2019G
Minimum Capital Requirement	200 Million	200 Million	100 Million	100 Million	100 Million
Required Solvency Margin for premiums	311 Million	305 Million	250 Million	275 Million	307 Million
Solvency Margin for claims	253 Million	331 Million	389 Million	278 Million	306 Million
Minimum solvency margin required	311 Million	331 Million	389 Million	278 Million	307 Million
Net assets to be included in the solvency margin	231 Million	38 Million	510 Million	520 Million	535 Million
Solvency margin cover (%)	74%	11.50%	131%	187%	174%
Solvency Margin Cover (%)	19%	71%	-	-	-

Source: the Company according to business plan

* The information included in the table above is estimated for periods beyond 31/12/2016G. Actual results may differ from these projections, on the grounds that the capital increase was completed in 2017

10. Experts Statement

The advisors whose names appear in pages (vii) and (viii) have given their written consents to the publication of their names, logos and statements in the form included in the Prospectus and have not withdrawn such a consent up to the date of this Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company up to the date of this Prospectus that may jeopardize their independence.

11. Declarations

As at the date of this Prospectus, the Company's Directors declare that:

- 1- Other than what is stated in page (23) of this Prospectus, there has been no interruption in the business of the Company which may have had or may have had a significant effect on the financial condition during the past 12 months.
- 2- No commissions, discounts, brokerage fees or any non-monetary compensation have been granted by the Company during the three years immediately preceding the date of submitting the application for registration and acceptance of listing in respect of issue or Offering of any securities.
- 3- There has been no material adverse change in the financial and commercial condition of the Company during the three years immediately prior to the date of submission of the application for registration and acceptance of listing, in addition to the period covered by the report of both auditors until the issuance of the prospectus.
- 4- Other than what is stated on page (104) of this Prospectus, neither the directors nor any of their relatives have any shares or interests of any kind in the Company.
- 5- The members of the Board of Directors and the CEO also acknowledge that they do not have the power to vote on any contract or proposal in which they have an interest.
- 6- The members of the Board of Directors and the CEO acknowledge that they do not have the power to vote on any remunerations to themselves.
- 7- Both Board members and CEO acknowledge that they have no authority to borrow from the Issuer

12. Summary of By-Laws

The Company's By-Laws include the items listed below. This Summary should not be ultimately relied upon in lieu of the complete version of the By-Laws which will be reviewed at the Company's head office in Riyadh, Sulaimaniyah District, Prince Mohammed bin Abdul-Aziz Road, Tahlia Center, 1st Floor. There are many procedures that require SAMA's approval, such as, increase or decrease of capital, distribution of dividends, transfer of Founding Shareholder' shares, mergers with other companies, company liquidation and appointment of directors. It is to note that the Company has updated its By-Laws in line with some amendments which the new Companies Law has incorporated. The Company has procured approval of SAMA and Ministry of Commerce on its proposed draft By-Laws which in turned has been approved by the Shareholders during the Extraordinary General Assembly held on 29/03/2017 and subsequently approved by the General Department of Companies, Corporate Governance Department (Ministry of Commerce and Investment) on 10/04/2017G.

12-1 Incorporation

According to the Provisions of the Cooperative Insurance Companies Control Law & its Implementing Regulations, the Companies Law, Capital Market Authority (CMA) Law and its Implementing Regulations and the Company's By-Laws, a Saudi Joint Stock Company shall be incorporated among the Shareholders pursuant to the following provisions.

12-2 Company Name

Malath Cooperative Insurance Company – A Saudi Joint Stock Company.

12-3 Company Objectives

In compliance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and all laws and rules applicable in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authority, if any, the Company is to engage in cooperative insurance operations and all related activities including reinsurance, agencies, representation, correspondence and brokerage. The Company may undertake all necessary business activities as required to achieve its objectives whether in the area of insurance or investment of its funds; to own, dispose of, transfer, sell, replace or lease moveable and fixed assets whether directly by it or through firms that the Company may incorporate or buy in association with other entities.

12-4 Participation and acquisition of companies

The Company may establish new limited liability companies or closed joint stock companies (provided that the capital is not less than Five Million Saudi Riyals "SAR 5,000,000.00"). The Company may also acquire stocks & shares in other existing companies or merge therewith and to participate with third parties for establishing joint stock or limited liability companies, provided that the companies established by the Company or where the Company participate therein or merge with shall exercise businesses similar to the Company's or to financial Companies operations, or shall be those companies that support the Company to achieve its objectives, after satisfying the requirements of the laws & directives in this regard and after obtaining approval of SAMA.

12-5 Company Head Office

The Company's Head Office is located in Riyadh city.

12-6 Duration of the Company

The term of the Company shall be ninety-nine (99) Gregorian years commencing on the date of listing it in the Commercial Register. The term of the Company may be extended by a resolution of the Extraordinary General Assembly issued at least one (1) year prior to the expiration of its term.

12-7 Rules applicable to the Company

The Company invests its collected funds from the ensured or shareholders in accordance with rules set out by the Board of Directors and without discrepancy with Cooperative Insurance Companies Control Law & its Implementing Regulations and other related By-Laws & instructions issued by SAMA or any other related body.

12-8 Subscription in Shares

The shareholders have subscribed for the full Company share capital and paid the value in full.

12-9 Shareholders Register

The Company shares are traded in accordance with CMA Law & its implementing By-Laws.

12-10 Share issuance

Shares will be nominal and shall not be issued with lower than their nominal value but with higher value. In the latter case, the value difference shall be added in a separate item within the shareholders equity and may not be distributed as dividends to shareholders. A share is indivisible against the Company and if owned by several shareholders, they shall select one shareholder to act on behalf of them to use the equity. Such shareholders will be held jointly responsible for the obligations arising out of the shareholder equity.

12-11 Capital

The share capital of the Company is (SAR120,000,000) one hundred twenty million Saudi Riyals divided into (12,000,000) twelve million equal Shares each with a nominal value of (SAR10) ten Saudi Riyals.

12-12 Share Capital Decrease

The Extraordinary General Assembly may resolve to reduce the Company's Share Capital after obtaining approval of the competent authorities if such capital is in excess of its needs or if the Company has incurred losses, provided that the paid up capital to the insurance company after capital decrease is not less than SR 100 million (Saudi Riyals one hundred million). The paid up capital to the re-insurance company or the insurance capital which at the same time exercises re-insurance businesses shall also not be less than SR 200 million (Saudi Riyals two hundred million). Such reduction resolution shall not be issued except after considering the auditor's special report on the reasons for such a reduction, the obligations at the Company account and the effect of the reduction on such obligations. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor objects and presents to the Company evidentiary documents within the time limit set above, then the Company shall pay off such debt if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12-13 Capital Increase

The EGA may, after approval by the competent authorities, resolve to increase the Company's Share Capital, provided that the capital shall have been paid up in full. A shareholder who is the share owner, upon the issuance of the General Assembly resolution which approved the capital increase, shall have the preemptive rights to subscribe for the new shares issued against cash shares. Such shareholders shall be notified of their preemptive rights, if any, by publication in a daily newspaper or notified by the registered mail of the resolution for capital increase, subscription's conditions, term, commencement & expiry dates. The EGA shall have right to suspend the act of preemptive rights of the shareholders in subscription by increasing capital against cash shares or by giving preemptive rights to non-shareholders in the cases it deems appropriate for the Company interest. A shareholder is entitled to sell or assign the preemptive right within the period from the time of the issuance of the GA resolution which approved the capital increase up to the last day of subscription in the new shares relating to these rights in accordance with the rules set out by the competent authorities.

12-14 Share trading

Shares subscribed by the founding shareholders are not tradable before publication of the financial statements for two consecutive years each of which is at least 12 months with effect from the incorporation date of the Company. Title deeds of such shares shall be denoted indicating their type, company incorporation and restriction period of trading. However, shares are transferable during the restriction period in compliance with the provisions of equity sale from one founder to another or from heirs of one founder upon his death to third parties or upon enforcement on the property of a bankrupt or insolvent founder. Other founders shall have priority on the ownership of such shares. Provisions of this Article shall apply to what founders subscribe in the event of capital increase prior to elapse of the restriction period.

12-15 Board of Directors

The Company shall be managed by a Board of Directors consisting of nine (9) members elected by the Ordinary General Assembly for a term not exceeding three (3) years. The Board structure shall reflect an appropriate representation of independent members. In any event, the number of independent Board members shall not be less than two or three, whichever is higher. As an exception, the constituent assembly shall appoint the members of the first Board of Directors for a maximum period of 3 years commencing from the date of the declaration by Ministry of Commerce & Investment of the incorporation of the Company.

The Company shall have the right, after obtaining no-objection from SAMA, to conclude a technical service management agreement with one or more qualified companies in the area of insurance. The Board members may conclude insurance contracts with the Company wherein they have interest, provided that the chairman of the Board shall provide the general assembly with the details of such insurance contracts. The Board member shall notify the Board with any direct or indirect interest in the businesses and contracts made at the account of the Company with such notification to be evidenced in the meeting minutes. Such member is not entitled to participate in the voting on the resolution to be issued in this regard in the Board and shareholders assemblies. The chairman of the Board shall inform the ordinary General Assembly, when held, about the transactions and contracts where a Board member is having direct or indirect interest therein along with attaching such information with a special report from the Company's external auditor. In the event that a Board member fails to disclose his interest, the Company or any stakeholder may claim revocation of the contract before the competent judicial authority along with obligating the member to settle any profit or benefit realized as a result thereof.

12-16 Vacancies in the Members of the Board of Directors

Membership of a Board member shall expire with the expiry of the appointment term, resignation, death or if the Board has evidence that such member has breached his duties in a manner that prejudices the Company interest, provided this is coupled with the approval of the Ordinary General Assembly; or expiry of his membership in accordance with any applicable regulation or instructions in force in Saudi Arabia; or absence from more than three consecutive meetings without acceptable reason to the Board of Directors; if a judgment issued for declaration of his bankruptcy or insolvency; if he submits petition for settlement with his creditors; ceases to pay off his debts; becomes unconscious; suffers mental sickness; proved that he commits an act of dishonesty and immorality or condemned of fraud. If a Board member position has become vacant, then the Board shall appoint another member to occupy the vacant position, provided that such appointment is presented to the first meeting of the Ordinary General Assembly. The newly appointed member shall only complete the term of his predecessor. In the event that there is shortage with the number of Board members to validate the Board quorum for its meetings, the Ordinary General Assembly shall be convened as soon as possible to appoint the required number of the members.

12-17 Vacancies in the Positions of the Board of Directors

In the event that a position of one Board member has become vacant, the Board may temporarily appoint an experienced member to fill the vacant position after securing no objection from SAMA and without considering the order of votes collected in the General Assembly in which the Board of Directors has been elected. CMA should be informed thereof within five (5) business days from the date of such appointment which shall be placed before the ordinary General Assembly in its first meeting following the appointment. The newly appointed member shall only complete the term of his predecessor. By resolution of the competent authority, the ordinary General Assembly may be convened in the event that there is shortage with the number of Board members to validate the minimum Board quorum for its meetings. SAMA should be informed of the resignation of any Board member or termination of his membership for any reason, with exception to the expiry of the Board duration, within five (5) business days from date of resignation, subject to the related disclosure requirements.

12-18 Powers of the Board of Directors

Subject to the jurisdictions reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company for the purpose of realizing its objective. The Board may, within the limits of its jurisdictions, delegate one or more of its members or other parties to perform certain work or works without prejudice to related laws & regulations. The Board of Directors shall, for example, represent the Company in its relations with others and governmental and private entities and before all general courts; Board of Grievances; Labor offices; high & primary committees for the settlement of labor disputes and the Commercial Securities Committee and all other judicial committees and arbitral tribunals; civil rights; police departments; Chambers of Commerce and Industry; all companies; institutions, banks; commercial banks; financial institutions and all government finance funds and institutions of their different names and jurisdictions as well as other lenders. The Board shall have the right for representation, claiming, defense, pleading, litigation, waiver, conciliation and acceptance of judgments, denial; arbitration and request enforcement of the judgment, objection, receipt revenues from enforcement, release of debtors from their obligations, engage in bidding, buying, selling and mortgaging real estates. The Board shall have the right to sign contract and sign in the name of the Company and on behalf of it on all the types of contracts and documents, including without limitation, the incorporation of companies where the Company is partner with all amendments and addendums and the amendment decisions, signing of covenants and instruments before the notaries and official authorities. The Board shall also have the right to sign off loan agreements, securities, guarantees & title deeds for property purchase and sale, issue POAs on behalf of the Company; purchase, sale, transfer & acceptance; to handover & takeover; lease, rent receive, pay; open accounts & credits; withdraw & deposit into bank accounts; issue guarantees to the banks, funds & government finance institutions; to sign all papers and promissory notes, cheques and all commercial papers, documents and all banking transactions.

12-19 Remunerations of the Board of Directors

The minimum remuneration of the Board Chairman and directors shall be Two Hundred Thousand Saudi Riyals (SAR 200,000) per annum and maximum remuneration of Five Hundred Thousand Saudi Riyals (SAR 500,000) per annum for their membership of the Board and participation in the Board activities. This remuneration is inclusive of the additional remuneration in the event of the member participation in any of the committees affiliating of the Board.

In the event that the Company generates profits, a percentage of 10% of the remaining net profit may be distributed after withholding the reserves resolved by the General Assembly in compliance with the provisions of the Cooperative Insurance Companies Control Law and after distribution of at least (5%) of the Company's paid up capital to the shareholders. Entitlement for such remunerations shall be in proportionate with the number of meetings attended by the director. Any estimation in discrepancy therewith will be null and void.

The maximum remuneration limit for attending each of the meetings of the Board & its committees shall be Five Thousand Saudi Riyals (SAR 5,000), exclusive of travel and accommodation expenses.

The Company shall pay the Chairman and directors the actual expenses incurred for attending the meetings of the Board or its affiliating committees including travel and accommodation expenses.

In any event, the total remunerations and financial & in-kind benefits of the Chairman and the Directors may not exceed SAR 500,000 (Five Hundred Thousand Saudi Riyals) per annum.

The Board Report presented to the Ordinary General Assembly shall include the total remunerations, expense allowances and other benefits received by the Board members during the year. The Report shall also include a statement of whatever the directors have received in their capacities as employees or administrators or whatever they received against performing technical, administrative or consultative works. Further, the Report shall include a statement of the number of the Board meetings, number of meetings attended by each director with effect from the last meeting of the General Assembly.

12-20 The Chairman, Deputy Chairman, Managing Director and Corporate Secretary

The Board of Directors shall appoint one of its members as Chairman and one as Deputy Chairman and shall appoint one as Chief Executive Officer (CEO) and may appoint a Managing Director. A person may not assume the position of chairman and executive at the same time. The Chairman shall have the right to sign on behalf of the Company & enforce the Board resolutions, to represent the Company before the judicial and arbitration bodies and third parties. By written authorization, the Chairman is entitled to delegate some powers to other directors or third parties to perform specific business(s). The Board shall fix the salaries, allowances and remunerations of both the Chairman and the Managing Director in accordance with Article (19) hereof. The Board of Directors shall appoint a corporate secretary and may appoint one or more advisors in various company affairs and shall determine their remunerations. The duration of the Chairman, Deputy Chairman, Managing Director and Corporate Secretary, all of whom may be re-elected, shall not exceed the membership duration of each one of them in the Board. The Board may dismiss all or any of them at any time, without prejudice to the right of the dismissed for indemnity if such dismissal has taken place for illegitimate reason or at inappropriate time.

12-21 Board Meetings

The Board shall be called to convene at the head office of the Company by its Chairman who shall call for a meeting when requested by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board meetings shall be held periodically, when so required, provided that at least four (4) meetings are held per fiscal year as such that one meeting is held at least each three months.

The Board meeting will be valid only if attended by two thirds of the directors in person or by proxy, provided that (four) members are present in person at least one of them is an independent member. A Board member may delegate another director to attend the meetings and to vote thereon on his behalf. The Board resolutions shall be passed by majority votes of the present or represented members. In the event of the votes, the Chairman shall have the casting vote. Board resolutions on urgent matters shall be issued by members voting by circulation, unless a member requests in writing to hold a meeting for deliberation, in which case, the resolutions will be presented to the Board in its next meeting.

12-22 Board's Minutes of Meetings

The Board deliberations and resolutions shall be recorded in minutes signed off by the meeting chairman, present Board members and corporate secretary and kept in a special register signed by both the Chairman and Corporate Secretary.

12-23 Board Committees

Committees of the Board of Directors shall be formed in accordance with the related laws & regulations.

12-24 Shareholders' General Assemblies

A properly formed General Assembly represents all shareholders and convened where the Company's head office is located. Each subscriber, irrespective of the number of his share, shall have the right to attend the general assemblies of the shareholders. A shareholder may delegate another shareholder who is not a director or an employee of the Company to attend the General meeting on his behalf. Meetings of shareholders' general assemblies and participation by the shareholder in the deliberations and voting on decisions may be held by way of modern technology means in accordance with the rules set out by the competent authorities.

12-25 Ordinary General Assembly

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least (one quarter) of the Company share capital. In case this quorum is not attained at the first meeting, a call shall be made for a second meeting to be held within the next thirty (30) days after the preceding meeting. This call for the meeting shall be published in the manner stipulated in Article (30) thereof.

The second meeting may be held one hour after the expiry of the prescribed time for the first meeting, provided that the call for the first meeting shall include whatever may advise of holding the second meeting.

In any event, the second meeting will be valid irrespective of the shares represented therein. Meetings of shareholders' general assemblies and participation by the shareholder in the deliberations and voting on decisions may be held by way of modern technology means in accordance with the rules set out by the competent authorities.

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Another Ordinary General Meetings may be convened whenever needed. Jurisdictions of the Ordinary General Assembly include the formation of the audit committee and determination of its fees.

12-26 Extraordinary General Assembly

The Extraordinary General Assembly meeting shall be valid only if attended by shareholders representing at least (half) of the Company share capital. In case this quorum is not attained at the first meeting, the second meeting may be held within one hour after the expiry of the prescribed time for the first meeting, provided that the call for the first meeting shall include whatever may advise the possibility of holding such a meeting.

In any event, the second meeting shall be valid if attended by shareholders representing at least (one quarter) of the share capital. In case the required quorum for the second meeting is not attained, a third meeting shall be called to convene with the same situations stipulated in Article (3) thereof. The third meeting will be valid irrespective of the shares represented therein following approval of the competent authorities. Other Extraordinary General Assembly meetings of the shareholders with the participation by the shareholder in the deliberations and voting on decisions may be held by way of modern technology means in accordance with the rules set out by the competent authorities.

The Extraordinary General Assembly is tasked with amending the Company By-Laws with exception to the provisions which amendment is restricted by regulation. It shall issue decisions on matters which are within the jurisdictions of the Ordinary General Assembly with the same conditions and status prescribed for the latter.

12-27 Voting in Assemblies

Votes in the ordinary and extraordinary general assemblies shall be counted on the basis of one vote per share. Cumulative voting shall be used in the election of the Board of Directors as such that a share voting right of the share may not be used more than once a time. Directors may not participate in voting on the Assembly resolutions relating to releasing them from the responsibility of the Company management or relating to their direct or indirect interest.

12-28 Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. However, if the resolutions relate to assessing special benefits, approval of the majority of subscribers representing two third (2/3) of the said shares is required after excluding subscriptions made by shareholders who benefit from the special benefits. These shall have no opinion on such resolutions even if they are cash shareholders. Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is relating to increasing or reducing the capital, extending the Company term or dissolving it before expiry of the term specified in its By-Laws, merger with another company or institution, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

12-29 Discussion in Assemblies

Each shareholder shall have the right to discuss the matter listed in the assembly agenda and to pose questions to the Board members and auditor on the same matters. Each provision in the Company's By-Laws that deprives the shareholder such right shall be deemed null & void. The Board of directors or auditor shall respond to the shareholder questions in the manner that shall not prejudice the Company interest. If a shareholder opines that the answer to his question is not satisfactory, he shall resort to the Assembly which decision in this regard is valid & effective.

12-30 Chairmanship of Assemblies and Preparation of Minutes

The General Assembly is chaired by the Chairman of the Board, his deputy upon his absence or by a delegate of the Board of Directors from among its members in the event of the absence of both the Chairman and the Deputy Chairman. The General Assembly meeting shall be edited in minutes that includes the number of shareholders attending the meeting or representatives, number of shares under their possession in person or by proxy, number of votes assigned for the shares, resolutions taken, number of votes that agreed or objected to the resolutions and comprehensive summary of the discussions deliberated during the meeting. Minutes of meetings shall be recorded regularly at the end of each meeting in a special register to be signed by the General Assembly Chairman, Secretary and vote collector.

12-31 Company Auditors

The General Assembly shall appoint auditors annually from among the auditors licensed to work in the Kingdom, determine their fees and term of business and may re-appoint them. The General Assembly may also and at any time replace the auditors, without prejudice to their rights for indemnification if such replacement has taken place at inappropriate time or for illegitimate reason.

The auditor shall have access to the Company books, records and other documents at any time and to require the data or clarifications whenever deems necessary and to check the Company's assets & liabilities and whatever may fall within the scope of his work. The Chairman shall enable the Auditor to perform his duties. In case that the auditor confronts any difficulty in this regard, he shall evidence the same in a report to be submitted to the Board of Directors. Should the Board fails to facilitate the Auditor work, he shall require the Board of directors to call the Ordinary General Assembly for a meeting to look into the matter.

The Auditor shall provide the Annual General Assembly with a report prepared in accordance with the recognized auditing standards incorporating therein the position of the Company management with respect to enabling him obtain the data & clarifications that he required and to any violations of the provisions of the Cooperative Insurance Companies Control Law & its implementing By-Laws and related laws, regulations and instructions which he might have detected as well as incorporating his opinion on the extent of fairness of the Company's financial statements. The Auditor shall read his report in the General Assembly. In the event that the Assembly decided to adopt the Board report and financial statements without hearing the Auditor report, its decision shall be null & void.

12-32 Fiscal Year

The fiscal year of the Company shall commence on January 1 and end with the end of December of the same year. However, the first fiscal year of the Company shall commence on the date of the ministerial resolution declaring the Company incorporation and shall end on 31 December of the following year.

12-33 Financial Documentation

The Board of Directors shall, at the end of each fiscal year, prepare the financial statements (the financial statements consist of: Statement of financial position of the insurance operations and shareholders, statement of insurance operations surplus (deficit), statement of shareholders income, statement of shareholders equity, statement of cash flows of the insurance operations and statement of shareholders cash flows) and a report of the Company's activity and financial position for the elapsed fiscal year. The report shall incorporate the manner it proposes for the profit distribution. The Board shall place such documents at the disposal of the auditor at least forty five (45) days prior to the prescribed date for the General Assembly meeting.

The Company's Chairman, CEO and CFO shall sign off the said documents where a copy of which shall be lodged at the Company head office at the disposal of the shareholders at least ten (10) days prior to the prescribed date for the General Assembly meeting.

The Chairman shall provide the Shareholders with the Company's financial statements, the Board report and Auditor report unless these are published in a daily newspaper distributed at the Company's head office. Copies of these documents shall be sent to CMA at least fifteen (15) days prior to the prescribed date for the Ordinary General Assembly meeting.

12-34 Insurance Operations' Accounts

The accounts of insurance operations shall be independent from the shareholders income, and as detailed hereunder:

First: Insurance Operation's Accounts:

- 1- There shall be a separate account for earned premiums, reinsurance commissions and other commissions
- 2- There shall be a separate account for the compensations incurred by the Company
- 3- The total surplus shall be determined at the end of every year, which represents the difference between the total premiums and the compensations, minus the marketing, administrative, operating expenses and the required technical provisions as per the regulatory instructions.
- 4- The net surplus shall be determined as follows: Added to the gross surplus mentioned in paragraph (3) above, or deducted from it for the insured from the investment income after calculating their money from the revenues and deduction of their realized expenses.
- 5- Distribution of the net surplus, either by distributing ten percent (10%) to the insured directly or by reducing their premiums for the following year, and ninety percent (90%) will be transferred to shareholders' account.

Second: Shareholder Income Statement:

- 1- Shareholders profits from the return on investment of the shareholder funds shall be in accordance with the rules set forth by the Board of Directors;
- 2- Shareholders share from the net surplus shall be according to what has been stated in Paragraph Five of Item (First) hereof;

12-35 Zakat and Reserve

The Company shall:

- 1- Set aside the determined Zakat and income tax;
- 2- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding once the total reserve amounts to (100%) of the paid up capital.
- 3- The Ordinary General Assembly may, when determining the share portion in the net profits, decide to form other reserves to the extent that achieves the Company interest or ensures distribution of fixed profits, as far as possible, to the shareholders.

12-36 Profit distribution

A shareholder is entitled to his share in profit in accordance with the Ordinary General Assembly resolution issued in this regard. Such a resolution shall set forth the entitlement date and distribution date. Priority of profit will be for those shareholders registered in the shareholders register at the end of the specified day of entitlement.

The Company shall inform CMA without delay of any resolutions for profit distribution or provide its recommendation thereon. The Company shall pay the prescribed profits for distribution to shareholders in the place and at the time determined by the Board of Directors pursuant to the instructions issued by the competent authority, subject to prior written approval of SAMA.

12-37 Company Losses

If at any time during the fiscal year that the losses of the Company amount to (half) of its paid capital, any official in the Company or the Auditor, once he learns about this, shall immediately inform the Chairman of the Board of such losses. The Chairman shall inform the Board members thereof. The Board of Directors shall, within fifteen (15) days from the date of learning about the losses, call an EGM to convene within forty five (45) days from the date of its knowledge of the losses to consider either to increase or decrease the Company capital in accordance with the Companies Law to the extent to reduce the losses ratio to below half of the paid capital or to dissolve the Company prior to its expiry date specified in its By-Laws. The resolution taken by the Assembly shall be, in any event, published in the electronic site of Ministry of Commerce and Investment. The Company shall be deemed to have expired by force of Law in the event that the Extraordinary General Assembly fails to meet within the said prescribed period of time, if it has actually met but failed to issue a resolution on the subject matter, or if it decides to increase the Company share capital according to the situations prescribed herein, but subscription for the whole capital increase was not attained within ninety (90) days from the issuance date of the General Assembly resolution for capital increase.

12-38 Company Dissolution and Liquidation

Upon its expiration, the Company shall enter into liquidation while retaining its legal personality to the extent required for winding-up. The resolution for voluntary liquidation shall be issued by the Capital Market Authority (CMA), must include the appointment of a liquidator and specify his powers, fees, restrictions on his powers and the period required for the liquidation. The period of voluntary liquidation shall not exceed five (5) years and may not be extended unless by court order. The powers of the Board of Directors shall expire with the dissolution of the Company. However, the Board members shall continue to manage the Company and shall be deemed by third parties as liquidators until a liquidator is appointed. The Company departments shall, during the liquidation period, continue to exercise their powers to the extent that they do not interfere with the powers of the liquidator. Upon liquidation, subscribers' right in the insurance operations' surplus and reserves formed as stipulated in both Articles (44) and (45) thereof shall be observed.

12-39 Final Provisions

The provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Regulations and its Implementing Regulations, and other relevant regulations, rules and instructions shall apply to all matters not mentioned in this By-Laws.

13. Legal Information

13-1 Company Incorporation and licenses and permits under which it operates

As per Article (3) of the Insurance Law, Malath Cooperative Insurance Company was established pursuant to the Royal Decree No. M/60 on the 18/9/1427H corresponding to 11/10/2006G, And the Ministerial Resolution No. (233) dated 16/9/1427H (corresponding to 09/10/2006G) and the Ministerial Resolution No. 75/Q announcing the incorporation of the Company dated 21/03/1428 H (corresponding to 09/04/2007) and the license from SAMA No. (TMN/2/20079) dated 29/08/1428H (corresponding to 11/09/2007). Accordingly, the Company was licensed to engage in insurance and reinsurance activity in the following branches: (1) general insurance and (2) health insurance. The Company operates in accordance with the Insurance Law and its Implementing Regulations and other regulations and instructions in force in the Kingdom under the supervision of SAMA and was registered as a public shareholding company under the Commercial Registration number (1010231787) issued from Riyadh on 07/04/1428H (corresponding to 24/04/2007G) and registered in Riyadh City Register.

The Extraordinary General Assembly held on 01/07/1438H (29/03/2017G) approved the Board of Directors' recommendation to reduce the Company's Share Capital from SAR 300 million to SAR 120 million. The name of the Company has been amended (to become "Malath Cooperative Insurance Company"). The Company's license was amended to delete the reinsurance business.

The Company obtained all the necessary licenses to carry out its activities in accordance with the applicable regulations, which are as follows:

Type of license	Purpose	License number	Date of issue	Expiry date	Issuer	Note
Commercial Register	Registration of the Company in the Companies' commercial Register (Joint stock company)	1010231787	7/4/1428H Corresponding (24/4/2007G)	22/6/1441H Corresponding (22/6/2020G)	Ministry of Commerce - Commercial Registration Office in Riyadh	-
Membership Certificate of the Chamber of Commerce and Industry (Premium Class)	The Company is compliant with the Commercial Registration Law, which requires the Company to participate in the Chamber of Commerce and Industry	101000179500	16/3/1437H Corresponding (27/12/2015G)	22/6/1441H Corresponding (16/2/2020G)	Riyadh Chamber of Commerce and Industry	-
A license to practice insurance activity	Conducting General insurance and health insurance	T M N/2/20079	29/8/1428H Corresponding (11/9/2007G)	26/8/1440H Corresponding (1/5/2019G)	SAMA	The permit was renewed on 27/08/1437H (corresponding to 03/06/2016). The permit to cancel the reinsurance activity was amended on 25/01/2017G.
Social insurance (GOSI) certificate	The Company is compliant with the regulations of the General Organization for Social Insurance	Certificate No. (21973335) Subscription number (501438138)	17/5/1438H Corresponding (14/2/2017G)	Without	General Organization for Social Insurance (GOSI)	It includes only a statement of wages and contributions to be submitted to the General Authority for Zakat and Income. Its use is limited to the General Authority for Zakat and Income only and does not represent a certificate of fulfillment of the Company's obligations towards GOSI

Type of license	Purpose	License number	Date of issue	Expiry date	Issuer	Note
Certificate of Zakat and Income	To report that the Company submitted its annual declaration and committed to paying zakat	1110037078	14/9/1437H Corresponding (19/6/2016G)	4/8/1438H Corresponding (30/4/2017G)	General Authority for Zakat and Income	The certificate is not valid for the final installment
Saudization Certificate	To report that the Company is committed to the Saudization rate required by Nitaqat program	20001701024324	20/2/1438H Corresponding (18/1/2017G)	21/7/1487H Corresponding (18/4/2017G)	Ministry of Labor (Labor Office)	Under a Saudization certificate addressed to the CMA
Council of Cooperative Health Insurance (qualifying the Company)	License to qualify for cooperative health insurance business	3531/836	27/6/1438H Corresponding (26/3/2017G)	23/6/1439H Corresponding (11/3/2018G)	Cooperative Health Insurance Council	-
License to open a shop (offices) For the headquarters in Riyadh	Municipality permit given to the Company to conduct its activities through the headquarters (Sulaymaniyah District- Prince Mohammed bin Abdul Aziz Road - Tahlia Center)	26264	4/11/1429H	4/11/1439H Corresponding (17/7/2018G)	Ministry of Municipal and Rural Affairs (Municipality of Riyadh Region - Municipality of Olaya)	-

Source: Legal Advisor

13-2 Company Branches and Points of Sale

Article (5) of the Company's By-Laws provides that the Company may establish branches, offices or agencies inside or outside the Kingdom after approval of SAMA. In accordance with Article 9 of the Cooperative Insurance Law, which stipulates that the written approval of SAMA must be taken before the opening of branches of insurance companies, SAMA requires insurance companies wishing to open branches to comply with the legal procedures related to the opening of branches of joint stock companies issued by the Ministry of Commerce and Investment. For points of sale, the municipal license and/or the lease contract are sufficient if the point of sale is located in government facilities, hotels or tourist resorts (such as a kiosk). As of the date of preparing the Prospectus, the Company has obtained the final approval of SAMA to open a number of branches and points of sale according to the following:

#	City	SAMA Approval	Address	CR/ Municipality License	Remarks
1	Riyadh	146/T M 4089 On 21/1/1429H 29/1/2008G	King Abdul Aziz Road - Exit 5 – Al-Juhaimi Building	Commercial Registration (CR) No 1010244987 Municipality License No 2623	-
2	Riyadh – Jeddah - Dammam	374/T M On 13/2/1429H 20/2/2008G	undefined	All of them are restricted in the Commercial Register (see para 13.3 - Table of Commercial Registrations).	-
2009					
3	Jizan	1603/T M On 29/11/1429H 16/11/2008G	King Fahad Road - opposite of the Eid Mosque - next to the Human Resources Fund	Commercial Registration (CR) No 5900016614 Municipality License No 1433/420	-

#	City	SAMA Approval	Address	CR/ Municipality License	Remarks
4	Alqassim, Hail, Gu- rayaat, Madi- nah, Khamis Mushayt, Najran, Al- Hasa and Hafr Albatin	1603/T M On 29/11/1430H 16/11/2009G	undefined	All of them are restricted in the Commercial Register (see item 13.3 - Table of Commercial Registrations).	In March 2015, the Qurayat branch was closed
2010					
5	Tabuk	1063/T M On 15/6/1431H 28/5/2010G	undefined	Municipality License No 30663	Point of sale, and the municipality's license to practice the activity is sufficient
6	Riyadh	47/T M On 7/1/1432H 13/12/2010G	Alhamra East Center - Khalid bin Al Waleed Street	-	In April 2016, the branch was trans- ferred
2011					
7	Dammam	1603/T M On 9/8/1432H 10/7/2011G	Dammam – Alkhobar main road	Commercial Registration (CR) - No 2050059424 Municipality License No 20038	
8	Dammam	1603/T M On 10/8/1432H 11/7/2011G	Intersection of Dhahran Road with Ali bin Abi Talib Road - Jarir Plaza Center (Point of sale)	Commercial Registration (CR) No 2050077743 Municipality License No 000855-1431	
2012					
9	Riyadh	824/T M On 3/4/1433H 25/2/2012G	Al-Murabba District - next to Riyadh Passports Office (Point of sale)	Municipality License No 36/671	The point of sale was closed in November 2016
10	Dammam	824/T M On 3/4/1433H 25/2/2012G	Next to Dammam Pass- ports Office (Point of sale)	Municipality License No 432/02266	The point of sale was closed in October 2016
11	Al-Hasa	2135/T M On 19/9/1433H 6/8/2012G	Ain Al Najm Street	Commercial Registration (CR) - No 2251040251 Municipality License No 3307904	
12	Jeddah	2525/T M On 1/11/1433H 16/9/2012G	Al-Rehab District / Prince Meteb Street (previously Forty Street) (Regional branch)	Commercial Registration (CR) - No 4030234494 Municipality License No 1100009810	
13	Shaqraa	2603/T M On 9/11/1433H 24/9/2012G	Al-Shifaa District - Obaida bin Al-Jarrah Street (Point of sale)	Municipality License No 33/371	The point of sale was closed in February 2017
14	Taif	2603/T M On 9/11/1433H 24/9/2012G	Al-Qamaria District - Abu Abada Al-Buhtari Street	Municipality License No 123667	The point of sale was closed in February 2016
15	Abqaiq	2603/T M On 9/11/1433H 24/9/2012G	Al-Madina District-Qatif Street	Municipality License No 1433/000175	Point of Sale
16	Dawadmi	2601/T M On 9/11/1433H 24/9/2012G	Al-Faisaliah District / King Saud Street / (Point of sale)		The point of sale was closed in February 2017

#	City	SAMA Approval	Address	CR/ Municipality License	Remarks
17	Riyadh	2986/T M On 28/12/1433H 12/11/2012G	Al-Suwaiddi District - Hasan Al Sheikh Street (Point of sale)	Municipality License No 97211	The point of sale was closed in January 2017
18	Riyadh	2985/T M On 28/12/1433H 12/11/2012G	Al-Manar District - Abdul Rahman bin Auf road (Point of sale)	Municipality License No 29583	Point of Sale
19	Mecca	341000019658 On 14/2/1434H 27/12/2013G	Al-Sabhani District - Al-Layth general road	Municipality License No 103240	The point of sale was closed in June 2014
2013					
20	Riyadh	341000028336 On 3/3/1434H 14/1/2013G	Al Batha District - Al Batha Street (Point of sale)	Municipality License No 12490	The point of sale was closed in October 2015
21	Khobar	341000028336 On 3/3/1434H 14/1/2013G	Al-Thuqbah District - Al-Derayah Street	Municipality License No 434/00213	The point of sale was closed in September 2016
22	Al-Qatif	341000028336 On 3/3/1434H 14/1/2013G	Al-Mazroua District - Jeru-salem street	Municipality License No 1434/000059	The point of sale was closed in January 2017
23	Buraydah	341000046181 On 13/4/1434H 23/2/2013G	Al-Amn District - South Traffic Street	Municipality License No 34417	The point of sale was closed in June 2015
24	Jubail	34100005564 On 1/5/1434H 12/3/2013G	Royal Commission for Jubail - First Support Industries Area	Municipality License No 3527	The point of sale was closed in June 2015
25	Riyadh	34100005561 On 1/5/1434H 12/3/2013G	King Khalid International Airport / Traffic Department (Point of sale)	-	The point of sale has not been opened and will therefore be considered closed without the need to obtain the approval of SAMA.
26	Najran	341000055559 On 1/5/1434H 12/3/2013G	Al-Fahd District / Ali bin Abi Talib Street (Branch)	Municipality License No 46398	The point of sale was closed in February 2016
27	Alnairiyah	341000055570 On 1/5/1434H 12/3/2013G	Al-Azizia District – Kaab bin Zuhair Street	Municipality License No 1434/97	Point of Sale
28	Hafr Al-Batin	341000097721 On 8/8/1434H 16/6/2013G	Mohammedia District - King Fahad Road	Municipality License No 1434/937	Point of Sale
29	Riyadh	341000097716 On 8/8/1434H 16/6/2013G	Al-Shifa District – Al-Khaleed bin Ahmed Street (Point of sale)	Municipality License No 27258	Point of Sale
30	Tabuk	341000097716 On 8/8/1434H 16/6/2013G	Al-Sa'ada District - Salah El Din Street	Municipality License No 30663	Point of Sale

#	City	SAMA Approval	Address	CR/ Municipality License	Remarks
31	Ahsaa'- Yanbu	351000012217 On 28/1/1434H 1/12/2013G	Chamber of Commerce		Point of Sale
32	Gurayat	351000012889 On 29/1/1435H 2/12/2013G	Airport District - Salah El Din Street	Municipality License No 143567	Point of Sale
33	Al-Qassim (Buraydah- Almethneeb- Albadayea' Hail Al Almajma'ah	351000012887 On 29/1/1435H 2/12/2013G	chamber of Commerce (points of sale)		The sale platform (kiosk) was closed in July 2015
2014					
34	Qassim	351000040959 On 29/3/1435H 30/1/2014G	Chamber of Commerce and Industry		The point of sale was closed in July 2015
2015					
35	Riyadh	371000032045 On 17/3/1437H 28/12/2015G	Sheikh Jaber Road	Commercial Registration (CR) No 1010300744 Municipality License No 56938	

Source: Legal Advisor

The Company confirms that up to the date of this Prospectus, it has not received the approval SAMA and/or submitted any request to SAMA to open points of sale in the Kingdom other than those indicated in the above table.

13-3 Table of Commercial Registrations and Points of Sale

The Company has obtained a number of commercial registration certificates for its branches and points of sale as follows

No	Registration number	Issue date	Expiry date	Manager	Activity	Address
1	1010246814	15/03/1429H Corresponding 23/03/2008G	15/03/1439H Corresponding 04/12/2017G	Rami Omar Sulaiman Al - Hoshan	Practicing Coopera- tive insurance business and all related to this Business	Riyadh - Sulay- maniyah District - Prince Mohammed bin Abdul Aziz road
2	1010246812	15/03/1429H Corresponding 23/03/2008G	15/03/1439H Corresponding 04/12/2017G	Rami Omar Sulaiman Al - Hoshan	Practicing Cooperative insurance business and all related works	Riyadh - Olaya Street - Second Real Estate - Sev- enth Floor - Office 725
3	1010281193	7/02/1431H Corresponding 02/02/2010G	17/02/1441H Corresponding 17/10/2019G	Rami Omar Sulaiman Al - Hoshan	Practicing Coopera- tive insurance business under SAMA license No. 1383 dated 28/10 / 1430H (corresponding to 17/10/2009)	Riyadh - Sulay- maniyah - Prince Mohammed Bin Abdul Aziz Road - Almas Plaza Center
4	1010300744	07/02/1432H Corresponding 13/01/2011G	07/02/1442H Corresponding 25/09/2020G		Center for Motor Claims under SAMA license No. (1368 / M / 47) dated 07/01 / 1432H (13/12/2010)	Riyadh - Khaleej District - Sheikh Jaber Al-Sabah Road
5	1010244987	18/02/1429H Corresponding 26/02/2008G	18/02/1439H Corresponding 08/11/2017G	Rami Omar Sulaiman Al - Hoshan	Center for Motor Claims According to SAMA letter No. (MT/146) 21/01/1429H (Corre- sponding to 29/1/2008)	Riyadh - King Abdul Aziz Road - North Exit 5

No	Registration number	Issue date	Expiry date	Manager	Activity	Address
6	1131032117	22/06/1431H Corresponding 05/06/2010G	22/06/1441H Corresponding 17/02/2020G	Nawaf Ayedh Nayef Alanzi	Practicing Cooperative Insurance business	Buraydah - Intersection of Othman Bin Affan Road with Ali Bin Abi Talib Road
7	2050077743	07/10/1432H Corresponding 06/09/2011G	07/10/1442H Corresponding 19/05/2021G	Hadi Mohammed Hadi Al Hammam	Practicing Cooperative insurance business under SAMA letter No. (M / 1613) and date 10/08 / 1432H (corresponding to 11/07/2011)	Dammam - Dhahran Road intersection with Ali Bin Abi Taleb Road - Jarir Plaza Center
8	3350026631	11/02/1432H Corresponding 17/01/2011G	11/02/1442H Corresponding 29/09/2020G	Bandar Hamad Saud Al- Sumair	Practicing Cooperative Insurance business under the approval of SAMA No. (1383) dated 28/10/1430H (17/10/2009)	Hail - King Abdul Aziz Road - Al-tamami Building - Shop No. 7
9	2050059424	23/03/1429H Corresponding 31/03/2008G	22/03/1439H Corresponding 01/12/2017G	Hadi Mohammed Hadi Al Hammam	Practicing Cooperative Insurance business and all related work including Re-insurance, agency, representation, correspondence or brokerage. The Company may perform all the activities necessary to achieve its objectives either in the field of insurance or investment of its funds, and to own, move, replace or lease fixed and cash funds, directly or through companies that it establishes or purchases them or in partnership with others	Dammam - Dammam Khobar Main Road - Saleh and Abdul Aziz Abu Hussein Building
10	2251040251	25/06/1431H Corresponding 08/06/2010G	22/06/1441H Corresponding 17/02/2020G	Padi bin Saad Al - Qahtani	Practicing Cooperative Insurance business	Al-Ahsa - Jarir Plaza Complex - Ain Nujoom Street
11	2511011203	22/06/1431H Corresponding 05/06/2010G	18/01/1441H Corresponding 18/09/2019G	Musaed bin Alhamidi bin Ramadan Alanazi	Practicing Cooperative Insurance business	Hafr Albatin-King Abdul Aziz road
12	4030177918	28/03/1429H Corresponding 05/04/2007G	28/03/1439H Corresponding 17/12/2017G	Badr bin Fahm bin Hassan Al - Osaimi Al - Otaibi	Practicing Cooperative Insurance business and all related work including Re-insurance, agency, representation, correspondence or brokerage. The Company may perform all the activities necessary to achieve its objectives either in the field of insurance or investment of its funds, and to own, move, replace or lease fixed and cash funds, directly or through companies that it establishes or purchases them or in partnership with others	Jeddah-Al-Rawda District-Al-Rawdah Street-West Al-Kubra Al-Murabba-Omnia Center

No	Registration number	Issue date	Expiry date	Manager	Activity	Address
13	4030234494	14/11/1433H Corresponding 30/09/2012g	14/11/1438H Corresponding 07/08/2017G	Faisal Said Saleh Sal- loum	Service of Motor Claims under SAMA license No. (M / 2525) dated 29/10/1433 H (corre- sponding to 15/09/2012)	Jeddah - Al-Rehab District - Prince Mataib Street (formerly Forty Street) - Exhibition No. 2/4
14	5950071342	09/07/1431H Corresponding 21/06/2010G	09/07/1441H Corresponding 04/03/2020g	Nawaf Ayedh Nayef Alanzi	Practicing Cooperative Insurance business	Najran - King Abdulaziz Road - opposite the Chamber of Com- merce in Najran - Exhibition No. 1
15	5855034617	22/06/1431H Corresponding 05/06/2010g	22/06/1441H Corresponding 17/02/2020G	Nawaf Ayedh Nayef Alanzi	Practicing Cooperative Insurance business	Khamis Mushayt - Khamis Mushayt Road - Abha Road - Al-Mubti Building - Shop No. 3
16	5900016614	04/11/1432H Corresponding 02/10/2011G	04/11/1442H Corresponding 14/06/2021G	Abdullah Musa bin Abdu Bakri	Practicing Cooperative insurance under the letter of SAMA No. 1603 dated 29/11/1430H (corresponding to 16/11/2009).	Jazan - King Fahad Road - opposite to the Eid Mosque - next to the Human Resources Fund
17	4650051839	26/05/1432H Corresponding 30/04/2011G	26/05/1442H Corresponding 10/01/2021G	Nawaf Ayedh Nayef Alanzi	Practicing Cooperative insurance under the letter of SAMA No. 51075 / M / 1283 dated 28/10/1430 H (corre- sponding to 17/10/2009)	Al Madinah Al Munawwarah - Intersection of Sultana Road with the Ring road - Bin Guth Towers - Shop No. 6

Source: Legal Advisor

13-4 Municipality permits issued for points of sale or branches

The Company obtained a number of municipal licenses to open its branches and points of sale in accordance with the requirements of the Ministry of Municipal and Rural Affairs and SAMA before commencing its activities through its branches and/or points of sale.

NO	Point of sale / branch	Region	Municipality License	License status
1	Al-Sulaimaniya District - Prince Mohammed bin Abdulaziz Road	Riyadh	26264 - Valid until 11/4/1439H (Corresponding to 29/12/2018G)	Valid
2	King Fahad Road - opposite the Eid Mosque - next to the Human Resources Fund	Jazan	1433/420 - Valid until 23/10/1439H (Corresponding to 7/7/2018G)	Valid
3	King Abdulaziz Road	Hafr Al Batin	1431/01212 - Valid until 20/10/1440H (Corresponding to 23/6/2019G)	Valid
4	Dammam Al-Khobar Main Road - Saleh and Abdul Aziz Aba Hussein Building	Dammam	20038 - Valid until 25/8/1439H (Corresponding to 14/12/2017G)	Valid

NO	Point of sale / branch	Region	Municipality License	License status
5	Al-Khamis Abha Road - Al-Mubti Building - Shop No. 3	Khamis Mushait	35/2086M - Valid until 3/6/1439H (Corresponding to 21/11/2018G)	Valid
6	King Abdulaziz Road - opposite the Chamber of Commerce in Najran - Shop No. 1	Najran	41005 - Valid until 15/2/1439H (Corresponding to 4/11/2018G)	Valid
7	Ain Najm Street - Jarir Plaza Complex	Al-Hasa	3307904 - Valid until 5/6/1439H (Corresponding to 21/2/2018G)	Valid
8	Prince Meteb Street - Shop No. 2/4	Jeddah	1100009810 - Valid until 30/12/1439H (Corresponding to 10/9/2018G)	Valid
9	Obeida bin Al-Jarrah Street - Al-Shifa District	Shaqraa	33/371 - Valid until 25/10/1439H (Corresponding to 8/7/2018G) (No commercial registration for this license)	Valid
10	Abdulrahman bin Auf Street - Al-Manar District	Riyadh	29583 - Valid until 19/1/1440H (Corresponding to 29/9/2018G) (No commercial registration for this license)	Valid
11	Al-Khaleel bin Ahmed Street – Al-Shifa district	Riyadh	27258 - Valid until 2/3/1439H (Corresponding to 20/11/2018G) (No commercial registration for this license)	Valid
12	King Fahd Road	Hafr Al Batin	1434/937 - Valid until 24/7/1440H (Corresponding to 30/3/2019G) (No commercial registration for this license)	Valid
13	Salah Al-Din Street	Tabuk	(No commercial registration for this license) 30663 - Valid until 11/3/1440H (Corresponding to 19/11/2018G)	Valid
14	Princess Noura bint Abdulrahman Street	Al-Dawadmi	1436/71 - Valid until 2/2/1440H (Corresponding to 12/10/2018G) (No commercial registration for this license)	Valid

NO	Point of sale / branch	Region	Municipality License	License status
15	Sheikh Jaber Road	Riyadh	56938 - Valid until 27/3/1439H (Corresponding to 15/12/2017G)	Valid
16	King Abdulaziz Road- Al Tamami Building - Shop No. 7	Hail	43551 - Valid until 4/4/1438H (Corresponding to 1/2/2017G)	Expired

Source: Legal Advisor

13-5 Lease Contracts

The Company does not have any properties owned by it. We have not been provided with any title deed in this regard. For the locations occupied by the Company for its activities, whether branches or points of sale, there are 39 lease contracts. Most of those contracts are traditional leases (i.e., a rent paid by the Company to the lessor annually). Most of these contracts are renewable and are considered null if the tenant is late to pay for rent. The tenant is not entitled to sub-rent the property without the written consent of the lessor. The activity may not be changed without the consent of the lessor.

The following table summarizes lease contracts as follows:

No	Lessor Name	Location	Annual Rent (SAR)	Contract Start- ing Date	Contract End Date	Renewal
1	Omar Sulaiman Al - Abdullatif	Shop No. (6) Al-Tahliah Commer- cial Center	600,000	1/3/1435H	29/2/1437H	Automatically renewed contract
2	Ibrahim and Fahd Moham- med Al-Jahimi	Parl Center Shop	219,400	10/8/1436H	9/8/1439H	An automatic renewal unless either party notifies the other one of their unwillingness to renew at least 90 days before the date of termination of the contract
3	Musaed Ahmed Zamil	Warehouse No. (5)	70,000	14/4/1437H	13/4/1438H	None
4	Abdullah Khalaf Al Aboud	Shop No. (9) Al-Khalil bin Ahmed Street	50,000	1/1/1437H	30/12/1437H	Renewed in writing
5	Mohammed Su- laiman Al-Awad	Commercial Store - Al Rawdah	31,000	21/2/143H	20/2/1438H	None
6	Saleh Khalaf Hammoud Al Ruweis	Office - Neighboring Passport Office	20,000	1/7/1437H	1/7/1438H	Automatic
7	Sons of Saad Saleh Al - Al- Jumaie	Shop No. (4) - Sha- graa' Center	17,000	1/9/1433H	30/8/1436H	Notice three months before the end of the contract
8	Ibrahim Abdul- rahman Moham- med Al - Awdah	Buraidah Store Al-Owdah Commer- cial Complex	250,000	30/3/1437H	30/3/1440H	None
9	Tariq Sulaiman Fahd Al Bayoud	Commercial shop (20) King Khalid Street	95,000	1/1/1438H	30/12/1439H	None
10	Abdullah Khalaf Al Aboud	Office - Abdulrah- man bin Auf Street	80,000	1/7/1437H	06/03/1438H	Renewed in writing
11	Mohammed Nasser Saad Al- Mutairi	Office - Al - Muham- madiyah District	35,000	1/4/1434H	30/03/1435H	Notify the owner before the end of the contract by (6) months

No	Lessor Name	Location	Annual Rent (SAR)	Contract Start- ing Date	Contract End Date	Renewal
12	Abdul Aziz Abdullah Al Haddad	Office - Almazroua	35,000	1/11/143H	30/10/1436H	None
13	Rashed Musfer Al - Karae	Shop - Al Nairiya - Saud bin Nayef Street	18,000	1/12/1433H	30/11/1436H	None
14	Suhub Al-Binaa Company	Offices - Hafr Al Baten	90,000	1/7/1437H	29/2/1440H	Option of the tenant
15	Hussein Abdul-lah Mohammed Al - Qarifa	Office - Hafr Al Baten	90,000	1/3/1431H	29/2/1441H	None
16	Jarir Bookstore	Store - Jarir Plaza - Al Ahsa	135,200	29/11/1432H	29/11/1435H	Automatic
17	Saleh & Abdul Aziz Aba Al Hus-sein Co. Ltd.	Warehouse - the First Industrial City	15,000	1/3/2008G	30/11/2008G	None
18	Saleh & Abdul Aziz Aba Al Hus-sein Co. Ltd.	Store - the First Industrial City	80,000	1/12/2007G	29/11/2008G	None
19	Abdullah Fouad Holding Com-pany	Offices - Abdullah Fouad Tower – Al-Khobar	819,600	12/5/2016G	11/5/2019G	Option of the tenant
20	Abdullah Fouad Holding Com-pany	Offices - Abdullah Fouad Tower – Al-Khobar	483,750	12/5/2011G	11/5/2016G	None
21	Ali Hwaidy Salem Al Ruwais Al Otaibi	Store - in front of passports Office - Tabuk	50	1/10/1436H	1/10/1439H	None
22	Ali Hwaidy Salem Al Ruwais Al Otaibi	Store - in front of passports Office - Tabuk	30,000	1/10/1433H	1/10/1436H	None
23	Khaled Al Haddad Com-pany	Two Sops - Al-Rehab District - Jeddah	96,000	15/4/1433H	14/4/1435H	Notice (30) days before expiry
24	Khaled Al Haddad Com-pany	Two Sops - Al-Rehab District - Jeddah	960,050	1/4/1435H	20/3/1438H	Notice (30) days before expiry
25	Mohammed Saeed Al - Mbati Est.	Shops - Al-Mubti Complex - Khamis Mushait	50,000	1/4/1434H	1/4/1435H	Notice (30) days before expiry
26	Ahmed Saeed Al Ghamdi	Shop - King Fahad Road	120,000	30/1/1436H	30/1/1439H	None
27	Salem Has-san Hussein Al Muneef	A shop and Offices - Najran	100,000	20/6/1436H	19/6/1441H	Notice (90) days before expiry
28	Eid Toukan Salama Alnzawi	Store – Al-Madinah	105,000	1/5/2015G	30/4/2018G	None
29	Abdullah and Ghassan Mo-hammed Amin Dahlawi	Offices - Omnia Center - Jeddah	313,500	1/12/1437H	30/11/1441H	None
30	Abdullah and Ghassan Mo-hammed Amin Dahlawi	Offices - Omnia Center - Jeddah	258,638	1/12/1433H	30/11/1435H	Automatic

No	Lessor Name	Location	Annual Rent (SAR)	Contract Start- ing Date	Contract End Date	Renewal
31	Mohammed Ibrahim Al - Sub- aie & Sons Co	Offices - Almass Plaza	1,297,800	3/9/2012G	2/9/2015G	1 Year
32	Khaled Abdullah Al-Najim	Shops - Al Khaleej District - Riyadh	360,000	1/5/1437H	1/5/1442H	Possibility of automatic renewal for a period of (5) years similar to the current contract unless one of the parties notifies the other party of its unwillingness to do so at least (90) days before the end of the contract period
33	Al Abdullatif Furniture	An Office – Al-Tahl- iyah Commercial Center - Riyadh	82,200	20/8/1431H	30/12/1431H	
34	Al Abdullatif Furniture	An Office – Al-Tahl- iyah Commercial Center - Riyadh	456,000	1/1/1432H	30/12/1434H	New Contract
35	Al Abdullatif Furniture	An Office – Al-Tahl- iyah Commercial Center - Riyadh	99,000	1/6/1430H	30/5/1432H	Notice (60) days before expiry
36	Omar Sulaiman Al - Abdullatif	An Office – Al-Tahl- iyah Commercial Center - Riyadh	355,800	23/10/1434H	30/12/1435H	Automatic
37	Omar Sulaiman Al - Abdullatif	An Office – Al-Tahl- iyah Commercial Center - Riyadh	321,600	1/7/1435H	30/12/1437H	None
38	Saudi Real Estate Company	Office - the second center compound- Olaya	234,650	1/1/1429H	1/1/1430H	Automatic
39	Saudi Real Estate Company	Roof - the second center compound- Olaya	3,000	1/6/1429H	-	-

Source: Legal Advisor

13-6 Capital Structure and amendments thereto

13-6-1 Share Capital upon incorporation

The Company was incorporated with a capital of three hundred million Saudi Riyal (SAR 300,000,000) divided into thirty million (30,000,000) Ordinary Shares with a par value of ten Saudi Riyals (SAR 10) per share, all of them are Ordinary Shares representing the Share Capital of the Company upon incorporation. The Founding Shareholders subscribed to fifteen million seven hundred and fifty five thousand and five hundred and thirty five (15,755,535) shares with a par value of SR 10 per share representing 52.52% of the Company's Share Capital. (47.48%) of the Shares were offered for public subscription.

13-6-2 Restructuring of Share Capital

The Company's accumulated losses amounted to one hundred eighty seven million six hundred and seventy thousand Saudi Riyals (SAR 187,670,000), which equals 62.56% of the Share Capital of the Company. On 19/11/2016G, the Board of Directors recommended amortizing the accumulated losses of the Company of one hundred and eighty million Saudi Riyals (180,000,000) , equivalent to (60%) of the total capital through the reduction of (1.8) shares for every three shares. The Board of Directors has taken the necessary measures to support the Company and continue its status by preparing a plan to restructure the Company's Share Capital. The Board approved the recommendation to the Extraordinary General Assembly to reduce the Company's Share Capital from three hundred million Saudi Riyals (SAR 300,000,000) to one hundred twenty Saudi Riyals (SAR 120,000,000). The Company's Share Capital will be increased from one hundred twenty million Saudi Riyals (SAR 120,000,000) to five hundred million Saudi Riyals (SAR 500,000,000). This should be done in two phases as follows:

13-6-3 Decrease of Share Capital

Article (3) of the Insurance Companies Control Law requires the prior approval of SAMA to reduce the Company's Share Capital. The Company has obtained the approval of SAMA to reduce its capital from three hundred million (SAR 300,000,000) to one hundred and twenty million Saudi Riyals (SAR 120,000,000) under the letter No. (381000028557) dated 13/03/1438H (corresponding to 12/12/2016). Article (33) of the Registration and Listing Rules requires the listed companies to obtain CMA's prior approval before obtaining the approval of the Extraordinary General Assembly to reduce the capital. On 26/05/1438H (corresponding to 23/02/2017), the Company obtained the approval of the Capital Market Authority to reduce its capital.

On 01/07/1438H (corresponding to 29/03/2017G), the Extraordinary General Assembly approved the reduction of the Company's Share Capital from three hundred million Saudi Riyals (SAR 300,000,000) to one hundred twenty Saudi Riyals (SAR 120,000,000). The number of shares was reduced from thirty million (30,000,000) shares to twelve million (12,000,000) shares, and to finalize all the formal procedures for the amendment of the Share Capital of the Company in the Commercial Register and the By-Laws.

13-7 Board of Directors

13-7-1 Members of the first Board of Directors

Upon incorporation of the Company in 2007G, the Board of Directors was composed of six (6) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall not prejudice the right of the legal person to replace his representative in the Board. As an exception, the Constitutional Assembly appointed the first board for a term of three (3) years starting from the date of issuing the Ministerial Resolution issued to declare the establishment of the Company (Ministerial Resolution no. (75/Q) dated 21/03/1428H corresponding to 09/04/2007G). Their names are:

No	Post	Name	Nationality
1	Eng./ Mubarak Abdullah Al-Khafra	Chairman of the Board	Saudi
2	Mr. Mohammed Ali Al Amari	Deputy Chairman	Saudi
3	Mr. Abdulmohsen Mohammed Al Saleh	Member	Saudi
4	Mr. Mohammed Sulaiman Abanami	Member	Saudi
5	Mr. Mohammed Ihsan Buhaliqa	Member	Saudi
6	Mr. Abdul Aziz Saleh Al Jarboo	Member	Saudi

Source: Legal Advisors

On 20/04/1431H (corresponding to 05/04/2010G), the Ordinary General Assembly approved the increase in the number of members of the Board from six (6) members to nine (9) members.

13-7-2 Members for the current Term:

On 03/04/2016G, the Ordinary General Assembly approved the election of the following members of the Board of Directors for the fourth tenure for a period of three (3) years starting from 06/04/2016G.

On 29/03/2017, the Extraordinary General Assembly approved the amendment of the Management Article to read as follows: "The Company shall be managed by a Board of Directors of not less than 5 members and not more than (9) members elected by the Ordinary General Assembly for a period not exceeding three years".

No	Name	Post	Nationality	Membership	Representation	Owned Shares	
						Direct	Indirect
1	Eng./ Mubarak Abdullah Al-Khafra	Chairman	Saudi	Non-Executive/ Non-Independent	-	32,158	-
2	Mr. Mohammed Ali Al Amari	Deputy Chairman	Saudi	Non-Executive/ Non-Independent	-	3,426	-
3	Mr. Abdulmohsen Mohammed Al Saleh	Member	Saudi	Non-Executive/ Non-Independent	-	400	-

No	Name	Post	Nationality	Membership	Representation	Owned Shares	
						Direct	Indirect
4	Mr. Fawaz bin Mohammed Al Fawaz	Member	Saudi	Non-Executive/ Non-Independent	-	423	-
5	Mr. Mohammed Saleh Al-Adel	Member	Saudi	Non-Executive/ Non-Independent	-	400	-
6	Mr. Obaid Abdullah Al Rasheed	Member	Saudi	Non-Executive/ Non-Independent	-	400	-
7	Ghassan Abdul Rahman Al-Shibl *	Member	Saudi	Non-Executive/ Non-Independent	-	30,000	-
8	Mr. Mohammed Abdulaziz Alnamlah	Member	Saudi	Non-Executive/ Non-Independent	-	400	-
9	Mr. Tariq Othman Al Abduljabbar	Member	Saudi	Non-Executive/ Non-Independent	-	400	-
10	Mr. Mohammed Sulaiman Al Hejailan**	Member	Saudi	Non-Executive/ Non-Independent	-	-	-

Source: Legal Advisors

* On 22/02/2017 he resigned from his position, and as of the date of this Prospectus, the vacancy was not filled

** The appointment was on 25/9/1438H (corresponding to 20/06/2017G) and will be submitted to the first Shareholders' General Meeting for approval

Based on Article (6) of the Cooperative Insurance Companies Control Law and Article (27) of its Implementing Regulations, the Company must obtain SAMA approval for nomination to the Board of Directors. The Company has received the approval of SAMA to appoint the current members of the Board of Directors of the Company for the fourth tenure under a letter of no objection No. (371000056553), dated 16/05/1437H (corresponding to 25/02/2016G).

Based on SAMA's letter No. (371000077061), dated 11/07/1437H (18/04/2016G), the Company obtained the approval of SAMA to appoint Eng. Mubarak Abdullah Al-Khafrah as the Chairman of the Board and appoint Mr. Mohammed Ali Al-Amari as the Deputy- Chairman of the Board.

13-7-3 Rights and obligations of the Members of the Board of Directors

In accordance with Article (19) of the Company's By-Laws, the minimum annual remuneration of the Chairman of the Board of Directors and the members of the Board shall be two hundred thousand Saudi Riyals (SAR 200,000) and the maximum amount shall be Five hundred thousand Saudi Riyals (SAR 500,000) for their membership in the Board of Directors and their participation in its work. This includes the additional rewards in the event of the member's participation in any of the committees emanating from the Board. In the event that the Company achieved profits, a proportion of (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly pursuant to the provisions of the Cooperative Insurance Companies Control Law and after the distribution of profit to Shareholders of at least (5%) of the Company's paid up capital provided that the entitlement of such remuneration shall be commensurate with the number of meetings attended by the member. Any discretion to the contrary shall be null and void. In all cases, the total amount paid to the Chairman and the members of the Board of Directors shall not exceed the amount of five hundred thousand Saudi Riyals (SAR 500,000) annually. The maximum limit for the attendance of the Board sessions and committees is five thousand Saudi Riyals (SAR 5,000) for each session, not including travel and accommodation expenses. Each member of the Board, including the Chairman of the Board, shall be paid the actual amount of expenses incurred in order to attend meetings of the Board or its committees, including travel, accommodation and subsistence expenses.

The Company shall ensure that all written details of the proposed bonuses and compensations are sent in a report to all shareholders prior to the General Assembly at which such remuneration and compensation are put to vote, provided that the report includes all remunerations, as well as expenses and other benefits received by the Members of the Board during the fiscal year. The report should also include a statement of what the members of the Board have received as employees, administrators or others received for technical, administrative or consulting works. The report should also include a statement of the number of meetings of the Board and the number of meetings attended by each member from the date of the last meeting of the General Assembly. The Company shall ensure that the General Assembly approves the terms of the remuneration and compensation in the General Assembly. Members of the Board of Directors shall not have the right to vote on these conditions. Directors' remunerations may be amended with the approval of the Shareholders' Extraordinary General Assembly.

The remuneration and attendance allowance of the members of the Board of Directors for the year ended on 31/12/2016 amounted to a total amount of one million two hundred and eighty four thousand Saudi Riyals (SAR 1,284,000).

13-7-4 Terms of the Board Membership

In accordance with the Corporate Governance Regulations, the Board member acquires the status of "Executive Member" when he is a member of the Executive Management of the Company and participates in the day-to-day management of the Company or if he receives a salary from it for that. For a "non-executive member", he is a member of the Board of Directors who is not a full-time employee of the Company or does not receive any salary other than the membership remuneration for the Board and the committees.

For the independent member: He is a non-executive member of the Board of Directors who enjoys full independence in his status and decisions, and none of the characteristics of independence stipulated hereinafter apply to him:

- Be an owner or holder of an interest in five percent or more of the Company's shares or of another company in its group.
- To be a representative of a person of legal capacity who owns five per cent or more of the Company's shares or shares of another company of its group.
- Be a senior executive during the past two years in the Company or in another company of its group.
- To have a relationship up to the fourth level with any member of the Company Board of Directors or another company of its group.
- To have a relationship up to the fourth level with any senior executive in the Company or in another company of its group.
- To have a relationship up to the fourth level with any of the Company's consultants.
- To be a member of the Board of Directors of another company of the Company's group nominated for membership to its Board of Directors.
- Have worked for the past two years with the Company or any associated party or another company of its group, such as legal accountants and senior suppliers, or has been the holder of control shares with any of these parties during the past two years.
- To have a direct significant dealing or activity with the Company or as a partner or board member of an entity with which it has significant dealings.
- The member of the Board of Directors receives money from the Company in addition to the remuneration of the Board of Directors or any of its committees.
- Have spent more than nine years in the Board of Directors of the Company.
- Have a contractual or commercial relationship with the Company (either directly or through an entity in which he is a senior shareholder or a member of its Board of Directors or a manager thereof), resulting in the payment or receipt of a sum of two hundred and fifty thousand Saudi riyals (SAR 250,000) (Other than the amounts related to the insurance contracts and the remuneration to which the member is entitled for his membership in the Board of Directors) during the last two years.

With regard to the composition of the Board stipulated in Article 12 (c) (e) of the Corporate Governance Regulations, the majority of the members of the Board shall be non-executive and the number of independent members shall not be less than two or one third of the members of the Board, Whichever is more relative to the total number of members of the Board. The Company has complied with Article (12) twelve of the Corporate Governance Regulations regarding the criteria required for the formation of the Board, specifically the mandatory clauses (c, e). The Company is also committed to the requirements of the Corporate Governance Regulations in relation to the composition of the Board of Directors. The majority of the members are non-executive and (6) six members of the Board are independent. It includes three non-independent members, namely the Chairman of the Board and the Vice-President, in addition to the member of the Board, Mr. Abdul Mohsen Al-Saleh where the "K" status mentioned above applies to them.

13-7-5 Board Meetings

In accordance with Article (21) twenty one of the Company's Article of Association, the Board shall meet at the main headquarters of the Company at the invitation of its Chairman and when requested by two members. The invitation shall be documented in the manner deemed appropriate by the Board. Meetings of the Board shall be held on a regular basis and whenever necessary, provided that the number of annual meetings of the Board shall not be less than (4) meetings with at least one meeting every three months. The minutes of the Board of Directors' meetings for the years 2014, 2015 and 2016 indicate that the Company is committed to the provisions of the Articles of Association.

The following table shows the Company's commitment with the By-Law in terms of the number of meetings

The Administrative Body	Year 2014	Year 2015	Year 2016	*Year 2017
Board of Directors	5	6	8	3

* As of the date of preparation of this prospectus

The membership of the Board of Directors shall terminate upon the absence of any member from attending more than three consecutive sessions without an excuse acceptable to the Board of Directors provided that this is coupled by the approval of the Ordinary General Assembly.

13-8 Summary of Substantial Contracts

13-8-1 Contracts and Transactions with Related Parties

Upon entering into the contracts and agreements referred to below, the Company undertakes that all transactions on a purely commercial basis shall guarantee the shareholders' rights and that such contracts shall be voted by the Company's General Assembly without the participation of the shareholders who have interests in those contracts. The revised documents confirm that the Company, its Board of Directors and shareholders are committed to the implementation of Articles 69 and 70 of the Companies Regulations and Article 18 of the Corporate Governance Regulations. These agreements were voted on at the Company's Ordinary General Assembly held on 25/06/1437H (corresponding to 03/04/2016G) and the approval of the works and contracts that have been made in which there is a direct or indirect interest to the members of the Board of Directors or senior executives for the year 2016, which are:

- Saudi NASCO Insurance Brokerage Company, which is co-owned by the Chairman of the Board (HE Eng. Mubarak Abdullah Al Khafra), is a reinsurance contract in the form approved with all reinsurance brokers with whom the Company deals. The total transactions amounted to one thousand and two hundred thirty four thousand Saudi Riyals (SAR 1,234) and hundred twenty three thousand Saudi Riyals (SAR 123,000) recoverable compensation through them.
- Personal insurance of Mr. Mohamed Ali Al-Ammari amounting to (16) sixteen thousand Saudi Riyals insurance premiums and compensations paid in the amount of two thousand Saudi Riyals (SAR 2,000).
- Personal insurance for Mr. Abdul Mohsen Al-Saleh (34) thirty-four thousand Saudi Riyals insurance premiums and paid compensation of five hundred and thirty Saudi Riyals.
- Abanami group of institutions. Mr. Mohammed Bin Sulaiman Abanmi is a member of the Board of Directors. These are insurance documents according to the Company's approved documents, without any special conditions or benefits, for a period of one year amounting to three hundred and thirty thousand Saudi Riyals (SAR 330.000).
- Tabuk Cement Company, which is co-owned by HE Mr. Mohamed Ali Al Ammari, which are insurance documents according to the Company's approved documents without any special conditions or benefits, and the duration of which is one year, its premiums amounted to three million five hundred and eighty one thousand Saudi Riyals (SAR 3,581,000) and paid compensation amounting to two hundred and forty thousand Saudi Riyals (SAR 240.000)

Except for contracts and transactions with related parties referred to above, the Company asserts that none of the other members of the Board or any of their relatives have any direct or indirect interest in the Company and no contracts have been signed with other related parties including the issuance of insurance policies to cover their work and property as of the date of this Prospectus.

These contracts contain the same terms and conditions applicable to customers without any distinction between the insurance policies referred to above and those offered by the Company to their customers. The Company affirms its commitment to the provisions of the Insurance Market Ethics Regulations issued by SAMA.

According to the provisions of Article forty nine (49) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, no insurance policy may be issued or renewed to any of the members of the Board of Directors or the executive management or their related parties until the full due payment is paid. Related parties are intended for family members (wives, spouses, children, parents, brothers and sisters, any of the institutions in which any member of the Board of Directors holds more than 5%, and if any of the members of the Board of Directors or their executive directors claim compensation for an insurance policy issued by the Company, in this case, the claim must be dealt with in accordance with the procedures set forth in the regulations applicable to other customers' claims and without any preferential treatment, while notifying the regular observer of any compensation to any of them.

The Company affirms its commitment to the Implementing Regulations, corporate governance provisions and corporate governance regulations in respect of the related parties' contracts

13-8-2 Insurance Brokerage Agreements

- The Implementing Regulations of the Cooperative Insurance Companies Control Law defines the insurance broker in the first Article as: "The legal person who, in exchange for a fee, negotiates with the Company to complete the insurance process in favor of the insured." The insurance broker has the right to market the documents of several insurance companies. Therefore, he has the freedom to submit each document and explain their advantages and disadvantages to the client. Therefore, we find Article twenty six (26) of the Executive By-Laws affirm the importance of disclosing to the insured the benefits they receive from the Company from commission and fees for the services they provide and they should work for the benefit of the insured and provide them with the best insurance products and offers as well as the disclosure of document features as compared to other comparable documents in terms of coverage and price prior to recommending to purchase.

- In the presentation of each document and explain its advantages and disadvantages to the client. Therefore, Article 26 of the Implementing Regulations emphasizes the importance of disclosing to the insured the benefits they receive from the Company from commission and fees for the services they provide and to work in the interest of And provide them with the best offers and insurance products available, as well disclosing the features of the document compared to other similar documents in terms of coverage and price before recommending purchase
- The Company has entered into a number of non-exclusive insurance brokerage agreements with brokerage companies to attract customers and facilitate the sale of the Company's insurance products to individuals, companies and other bodies.
- Insurance brokers are entitled to a commission according to the percentages stipulated in the regulation of brokers and insurance agents ranging between 8% and 15% according to insurance branches/products that are sold. Commissions are calculated on a premium basis and no commissions are paid for expenses.
- The Company has adopted a unified contract signed with most companies including the terms and obligations that formed the framework of dealing between the parties. Based on this model, the Company shall determine the terms of the insurance contracts for the insured and the broker may not introduce any amendments thereto without the approval of the Company. The total net premiums written by the brokers' contribution is six hundred and fifty-three million four hundred and twenty thousand Saudi Riyals (SAR 653,420,000) which represent (30%) of the total written premiums as at the end of 31/12/2016G.
- Upon reviewing the insurance brokerage agreements entered into by the Company, we found that they included the regulatory bases adopted by the Brokers' and Insurance Agents Regulation, particularly Articles thirty (30) to thirty four (34) which set the minimum requirements that must be included in insurance brokerage agreements and the intermediary obligations towards the insurance company that he contracts with.
- A number of insurance brokerage agreements concluded by the Company were reviewed as follows:

#	Broker's Name	Contract Date	Effective Date	Expiry Date	Remarks
1	Tawafuq Brokerage Limited	20/02/1438H 20/11/2016G	20/02/1438H 20/11/2016G	01/03/1439H 19/11/2017G	-
2	Concord for Insurance and Reinsurance Brokerage	14/08/1435H 12/06/2014G	04/09/1435H 01/07/2014G	14/09/1436H 30/06/2015G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)
3	Diamond Document for Insurance Brokerage	10/02/1437H 22/11/2015G	10/02/1437H 22/11/2015G	21/02/1438H 21/11/2016G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)
4	Al-Sabil Insurance Company for Insurance and Reinsurance Brokerage	21/02/1437H 03/11/2015G	21/02/1437H 03/11/2015G	02/02/1438H 02/11/2016G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)

#	Broker's Name	Contract Date	Effective Date	Expiry Date	Remarks
5	Fal Company for Insurance and Reinsurance Brokerage	26/08/1435H 24/06/2014G	04/09/1435H 01/07/2014G	14/09/1436H 30/06/2015G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)
6	Al-Bassami Insurance Brokerage Company	04/05/1438H 01/02/2017G	04/05/1438H 01/02/2017G	15/05/1439H 31/01/2018G	-
7	Solutions for International Insurance Brokers Ltd.	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
8	Najm Al Enayah Insurance Brokerage Company	27/02/1437H 09/12/2015G	27/02/1437H 09/12/2015G	09/03/1438H 08/12/2016G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)
9	National Insurance Brokerage Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
10	Namar Insurance and Reinsurance Brokerage Company	23/06/1437H 01/04/2016G	23/06/1437H 01/04/2016G	04/07/1438H 31/03/2017G	It may be renewed by written agreement from the parties. If the parties continue to deal with this agreement despite the expiry of its validity, this shall be considered an automatic renewal for one calendar year under the same terms and conditions. (automatically renewed))
11	Gulf Insurance and Reinsurance Brokerage Company	17/08/1435H 15/06/2014G	04/09/1435H 01/07/2014G	18/09/1436H 30/06/2015G	The Agreement is automatically renewed for a period of one year as established and without termination The agreement may be terminated by any party at any time after giving prior written notice to the other party at least 30 days in advance. (Automatically renewed)
12	Esnad Insurance and Reinsurance Brokerage Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
13	Marina Insurance and Reinsurance Brokerage Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
14	Daman Company for Insurance Brokerage	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
15	Wakin Insurance Brokerage Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
16	Al Mostashar Company for Insurance Brokerage Services	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-

#	Broker's Name	Contract Date	Effective Date	Expiry Date	Remarks
17	Fencharsh Faris for Insurance and Reinsurance Brokerage	05/05/1438H 02/02/2017G	05/05/1438H 02/02/2017G	16/05/1439H 01/02/2018G	-
18	Al-Aman Insurance and Reinsurance Brokerage Company	21/4/1438H 19/01/2017G	21/4/1438H 19/01/2017G	02/05/1439H 18/01/2018G	-
19	Arkan Company for Cooperative Insurance Brokerage	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
20	Kingdom Brokerage for Insurance and Reinsurance Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
21	Protection of Risks Insurance and Reinsurance Brokerage	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
22	Best Insurance Brokerage Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
23	House of Insurance Company	12/01/1438H 13/10/2016G	01/02/1438H 01/11/2016G	11/02/1439H 31/10/2017G	-
24	Certified Document For Insurance Brokerage	29/05/1438H 26/02/2017G	03/03/1438H 01/01/2018G	18/04/1439H 01/01/2018G	The contract was signed retroactively
25	Elite Insurance Brokerage and Reinsurance Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
26	Derayah Insurance Brokerage Company	23/06/1437H 01/04/2016G	23/06/1437H 01/04/2016G	03/07/1438H 31/03/2017G	It may be renewed by written agreement from the parties. If the parties continue to deal with this agreement despite the expiry of its validity on 31/03/2017G, this shall be considered an automatic renewal for one calendar year under the same terms and conditions. (automatically renewed)
27	Comprehensive Document Of Insurance Brokerage	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
28	Insurance Brokerage & Reinsurance Company	29/04/1438H 27/01/2017G	29/04/1438H 27/01/2017G	10/05/1439H 26/01/2018G	-
29	Certified Document Company for Insurance Brokerage	23/06/1437H 01/04/2016G	23/06/1437H 01/04/2016G	03/07/1438H 31/03/2017G	It may be renewed by written agreement from the parties. If the parties continue to deal with this agreement despite the expiry of its validity, this shall be considered an automatic renewal for one calendar year under the same terms and conditions. (automatically renewed)
30	Shadid & Co. Saudi Insurance Brokers Co.	06/05/1437H 15/02/2016G	06/05/1437H 15/02/2016G	17/05/1438H 14/02/2017G	It may be renewed by written agreement from the parties. If the parties continue to deal with this agreement despite the expiry of its validity, this shall be considered an automatic renewal for one calendar year under the same terms and conditions. (automatically renewed)

Source: Legal Advisor

The following is a summary of the main items of insurance listed in the brokerage agreements (non-exclusive), which include the obligations of the Company and the broker.

- In accordance with the Agreement, the Broker shall:
 - a- Disclosing to his customers the existence of this agreement and the fees and charges he receives from the Company in accordance with the Implementing Regulations of the insurance law.
 - b- Collection and payment of insurance premiums collected (in addition to any fees or other amounts due) from the Company and before the issuance of the documents
 - c- Non-Disclose, divulge or use any information or data pertaining to the Company which he has been aware of by virtue of his relationship with the Company pursuant to this Agreement. This obligation shall continue during the period of implementation of the Agreement and after termination or expiry
 - d- Not to take any action that would harm the Company's reputation or business
 - e- Allows the Company to inspect the records maintained by the Broker in respect of the work performed under this Agreement
 - f- Not to promote to its customers and to the public the types of insurance - in general - provided by the Company without prior written approval
 - g- Assist his clients to prepare and submit to the Company in the appropriate manner that conforms to the terms of any of the insurance policies written by the Company and all other reports and documents required by the documents
 - h- Inform his current and prospective customers of the risks and liabilities associated with their business activities, owning property, using cars, etc., and explain the types of insurance available to the Company to manage and direct these risks
 - i- Maintain full records and accounts of all insurance transactions subscribed under this Agreement
 - j- Notify the Company immediately if the license of the intermediary issued by SAMA has been suspended or canceled and he is obliged to maintain the validity of the license
 - k- Not to assign, in whole or in part, the Agreement without obtaining prior approval from the Company.
 - l- Not to use the Company's name or commercial logo in any advertisement - orally or in writing - and not to place or direct to place any advertisement for the Company in any publications or billboards, and refrain from issuing or distributing any advertisement or paper referring to the Company without prior written consent of the Company, with the need to indicate that he is an intermediary for the Company.
 - m- Notify, upon termination of the agreement, each customer for a period not less than (45) days. The notice shall not indicate the reasons for termination.
- According to the agreement, the Company is committed to
 - Exert all reasonable business efforts to respond to requests for quotations in a timely manner
 - Payment of the Broker's commissions for net written contributions only (gross premiums less all cancellation settlements and reinstated premiums) after (10) ten working days from the end of each calendar month.
 - Maintain full records and accounts of all insurance transactions subscribed under this Agreement.
 - Compensation of the Broker and avoiding him harms towards all civil responsibilities arising as a direct result of the Company's errors, provided that the Broker has not caused or participated in any of the errors, including, but not limited to, when using any of the forms sent to the Company, or failure to follow the instructions or procedures specified by the Company regarding the work provided by the broker to the Company.
 - The agreement may be terminated by any party at any time after giving prior written notice to the other party of at least thirty (30) days. The Company may terminate in the event of cancellation or suspension of any competent authority to license the Broker. The Company may terminate the Agreement after notice to the Broker in the event that the Broker fails to perform his obligations or in case of fraud, quack, fake, misconduct, serious error or bankruptcy.
 - The agreement is subject to Saudi regulations. In the event of any dispute, it will be settled amicably within fifteen (15) working days from the date of the difference or dispute. If it is not resolved amicably, it shall be settled by the competent judicial authorities

13-9 -Insurance Agency Agreements

- Review of three non-exclusive insurance agency agreements were signed with Agyad Al Khaleej for Cooperative Insurance Agency, Arab Insurance Services Co. Ltd. and YEDAR for Cooperative Insurance Agency, licensed by SAMA, and specialized in representing insurance companies to market and sell their insurance documents for them or on their behalf in the Kingdom.
- The purpose of these agreements is to market and sell insurance policies to individuals, companies and other entities on behalf of the Company.
- Article 1 of the Implementing Regulations of the Cooperative Insurance Companies Control Law defines the

insurance agent as: "The legal person who, for a material consideration, represents the Company, markets and sells the insurance documents, and all the businesses he usually performs for or on behalf of the Company."

- Upon our review of the insurance agency agreements entered into by the Company, we found that they included the regulatory bases approved by the Brokers and Insurance Agents Regulation, especially from Article thirty (30) thirty to (34) thirty four, which set the minimum requirements that must be included in the insurance agency's agreements and the obligations of the agent vis-à-vis the insurance company with which he contracts.
- The annexes to the agreements also include the percentage of commissions to which insurance agents are entitled, as stipulated in the Brokers and Insurance Agents Regulation, ranging between 8% and 15% according to insurance branches/products sold. Commissions are calculated on premiums only. No commission is paid for expenses.
- Details of insurance agency agreements concluded by the Company are as follows:

13-9-1 A non-exclusive marketing agency agreement with Ajyad Company for Cooperative Insurance Agency ("the Agent").

The term of the agreement is one Gregorian year starting from 09/10/2016G and ending on 31/12/2017G. It may be renewed via a written agreement between the two parties. If either party does not wish to renew the agreement, it shall notify the other party in writing that it does not wish to renew the agreement at least (30) thirty days before the expiry of the original or renewed period. According to this agreement, the insurance agent will sell and distribute the commercial insurance policies and individual insurance and collect their subscriptions for the Company through the points of sale and distribution in the Kingdom and in accordance with the rules and procedures of dealing annexed to the agreement and the guidance and instructions of the Company as well as SAMA's Insurance Law and Implementing Regulations.

- Obligations of the insurance agent – including, but not limited to, the following:
 - Carry out his duties in accordance with professional principles in accordance with the regulations of the competent authority and the instructions issued by the Company
 - Sending a list of targeted customers to the first party prior to marketing the products in the place of this agreement
 - Preparing independent account books for the work related to this agreement
 - Keep all records, documents, correspondence and publications separately
 - Assigning a reputable staff of good conduct who are familiar with the English language, and assigning an independent team to market the Company's commercial insurance products, and another team to handle the individual insurances.
 - Preserve the usernames of the electronic systems that are disbursed to the agent and without abusing them and follow the instructions issued by the Company.
 - Turning in all unused and used publications bearing the name of the Company and any other documents related to the subject matter of this agreement in case of termination or expiry.
 - Bearing all expenses and costs related to his work, his staff and his subjects (such as wages, salaries, bonuses, travel tickets, etc.) in addition to all taxes, zakat or fees imposed by the competent authorities in the Kingdom.
 - Non-disclosure, or use of any information or data pertaining to the Company which he has been cognizant of by virtue of his relationship with the Company pursuant to this Agreement. This obligation shall continue during the period of implementation of the Agreement and after its termination or expiry.
 - No person, who has been employed by the Company throughout the duration of the agreement and for two years, shall be used or sold in any form. The agent shall maintain the confidentiality of these data.
 - No data related to the customers of the Company, such as their names, addresses and details related to them, and the agent to maintain the confidentiality of these data
 - Provide the Company immediately and upon request with electronic copies and/or original copies and /or printed copies of all insurance applications enclosed by all supporting documents.
 - No waiver or settlement of losses or recognition of any remedies (compensations) shall be made on behalf of the Company without its prior consent.
 - Provide the policyholders with the instructions related to the rules and procedures of the claim upon issuing any insurance policy. The agent is also committed to fully cooperate with the policyholders in this regard and with the Company in the investigation and processing and settlement of all claims (compensations) related to the Company's insurance documents issued by the agent.
 - Provide the Company with a list of the commissions due to him for each calendar month provided that this is done within (10) days of the expiry date of each calendar month.
 - Payment/deposit of all amounts owed to the Company for each month with the required degree of accuracy.
 - Sale of documents through authorized outlets (points of sale) by SAMA and according to the work plan agreed upon with the Company.
 - Obtain a written consent from the Company upon the selection or appointment of any of the new marketing

- representatives or supervisors. He should replace them in case of violation of the terms of the agreement, having a bad reputation and take the consent of the Company prior to the appointment.
- Provide the Company with a fidelity guarantee for the employees immediately to cover the losses that may arise from the risks covered by the policy. The agent alone must bear all responsibilities and liabilities related to those risks before the Company.
 - Provide the Company immediately upon signing an unconditional, with irrevocable bank guarantee of SAR 200,000 (two hundred thousand Saudi Riyals) for the Company in order to guarantee the implementation of the terms and conditions of this agreement. The guarantee will be valid for 15 months and can be renewed for a period or other similar periods upon request. The Company shall not recover the guarantee until the agent has fulfilled its obligations.
 - No waiver of the contract or any part thereof to third parties or a proxy of others, either directly or indirectly without the prior written consent of the Company.
 - Take the approval of the Company before making any promotion or advertisement of any form about his relationship with the Company. The agent is responsible for all advertisements for promotion and shall bear all the costs of these ads.
 - Not to deal with any other insurance company either directly or indirectly, whether with or without payment, to market any kind of insurance within the Kingdom without obtaining the prior written approval of the Company.
 - In the event of any instructions or circulars issued by the governmental or regulatory authorities relating to the terms of this agreement, the agent shall comply with the implementation immediately without the application of a notice period, immediately upon being notified by the Company or informed by the regulatory authorities.
 - Not to disclose the trade, insurance, administrative and technical secrets of the works related to the Company or use of these secrets in any areas other than the purposes of this contract.
 - Company's obligations
 - Pay the commissions due to the agent (after deducting all amounts owed by the agent - if any) - within (15) days from the date of Company's receipt of the statement of commissions signed by the agent.
 - Provide the agent with billboards for the Points of Sale (POS), the necessary publications bearing the name of the Company to be used for the purposes specified for it under this agreement, which are: insurance policies, application forms, annexes and special conditions, advertising and promotional brochures, books of hand receipts and price lists.
 - Return the value of the contributions deposited in his account by the agent in respect of the insurance documents that the Company wishes to cancel, in which case the agent will only be entitled to the relative commission for the elapsed period from the date of the validity of the document until the date of cancellation.
 - Secure the automated system necessary to connect the agent to the Company's information network. The agent bears the costs incurred for linking the automated system to all of his points of sale to include computer his computers, internet connectivity, and the rights and inputs of the employees who input the data.
 - Train the agent's commercial and personnel insurance team within the first three months of the effective date of the agreement.
 - Issue of offers for insurance conditions and rates within a maximum of five (5) working days from the date of receipt of the completed insurance applications except for offers that require re-insurance. If these offers are accepted by the customer, the Company will issue the insurance documents within (3) working days after collecting and depositing the Subscriptions amounts into the Company's account.
 - Responsible directly or indirectly for any of the clients brought by the agent after issuing their insurance policies and paying their own subscriptions and paying the subscriptions for those documents.
 - The Company shall periodically have the right and without any objection from the agent to send representatives to the agent's outlets without prior notice for the purpose of inspection, keeping informed, review of work methods, services, administration, checking of records and others to ensure compliance of the agent with the terms and conditions of this Agreement.
 - The applicable law and competent judiciary
 - This Agreement shall be governed by and construed in accordance with the laws in force in the Kingdom of Saudi Arabia. In the event of any disagreement or dispute between the parties of this Agreement concerning the implementation, validity or interpretation of this Agreement, such parties shall seek to resolve this disagreement or dispute among themselves amicably or through the formation of a committee from the two parties to resolve the dispute. In case of the inability to reach an amicable solution, the dispute shall be referred to the competent or judicial authorities in the Kingdom.

13-9-2 A Non-Exclusive Marketing Agency Agreement with YEDAR for the Cooperative Insurance Agency (the "Agent").

The term of the agreement is one Gregorian year starting from 01/08/2016G and ending on 01/08/2017G. It may be renewed via a written agreement between the two parties. If either party does not wish to renew the agreement, it shall notify the other party in writing that he does not wish to renew the agreement at least (30) thirty days before the expiry of the original or renewed period. According to this agreement, the insurance agent will sell and distribute the commercial insurance policies and individual insurance and collect their subscriptions for the Company through the points of sale and distribution in the Kingdom and in accordance with the rules and procedures of dealing annexed to the agreement and the guidance and instructions of the Company as well as SAMA's Insurance Law and Implementing Regulations.

• Obligations of the insurance agent – including, but not limited to, the following:

- Carry out his duties in accordance with professional principles in accordance with the regulations of the competent authority and the instructions issued by the Company
- Sending a list of targeted customers to the first party prior to marketing the products in the place of this agreement
- Preparing independent account books for the work related to this agreement
- Keep all records, documents, correspondence and publications separately
- Assigning a reputable staff of good conduct who are familiar with the English language, and assigning an independent team to market the Company's commercial insurance products, and another team to handle the individual insurances.
- - Preserve the usernames of the electronic systems that are disbursed to the agent and without abusing them and follow the instructions issued by the Company
- Turning in all unused and used publications bearing the name of the Company and any other documents related to the subject matter of this agreement in case of termination or expiry.
- Bearing all expenses and costs related to his work, his staff and his subjects (such as wages, salaries, bonuses, travel tickets, etc.) in addition to all taxes, zakat or fees imposed by the competent authorities in the Kingdom.
- Non-disclosure, divulge or use of any information or data pertaining to the Company which he has been cognizant of by virtue of his relationship with the Company pursuant to this Agreement. This obligation shall continue during the period of implementation of the Agreement and after its termination or expiry.
- No person, who has been employed by the Company throughout the duration of the agreement and for two years, shall be used or sold in any form. The agent shall maintain the confidentiality of these data.
- No data related to the customers of the Company, such as their names, addresses and details related to them, and the agent to maintain the confidentiality of these data
- Provide the Company immediately and upon request with electronic copies and/or original copies and /or printed copies of all insurance applications enclosed by all supporting documents.
- No waiver or settlement of losses or recognition of any remedies (compensations) shall be made on behalf of the Company without its prior consent.
- Provide the policyholders with the instructions related to the rules and procedures of the claim upon issuing any insurance policy. The agent is also committed to fully cooperate with the policyholders in this regard and with the Company in the investigation and processing and settlement of all claims (compensations) related to the Company's insurance documents issued by the agent.
- Provide the Company with a list of the commissions due to him for each calendar month provided that this is done within (10) days of the expiry date of each calendar month.
- Payment/deposit of all amounts owed to the Company for each month with the required degree of accuracy.
- Sale of documents through authorized outlets (points of sale) by SAMA and according to the work plan agreed upon with the Company.
- Obtain a written consent from the Company upon the selection or appointment of any of the new marketing representatives or supervisors. He should replace them in case of violation of the terms of the agreement, having a bad reputation and take the consent of the Company prior to the appointment.
- Provide the Company with a document of treason for the employees immediately to cover the losses that may arise from the risks covered by the document. The agent alone must bear all responsibilities and liabilities related to those risks before the Company.
- Provide the Company immediately upon signing an unconditional, irrevocable and irrevocable bank guarantee of SAR 200,000 (two hundred thousand Saudi Riyals) for the Company in order to guarantee the implementation of the terms and conditions of this agreement. The guarantee will be valid for 15 months and can be renewed for a period or other similar periods upon request. The Company shall not recover the guarantee until the agent has fulfilled its obligations.
- No waiver of the contract or any part thereof to third parties or a proxy of others, either directly or indirectly without the prior written consent of the Company.

- Take the approval of the Company before making any promotion or advertisement of any form about his relationship with the Company. The agent is responsible for all advertisements for promotion and shall bear all the costs of these ads.
- Not to deal with any other insurance company either directly or indirectly, whether with or without payment, to market any kind of insurance within the Kingdom without obtaining the prior written approval of the Company.
- In the event of any instructions or circulars issued by the governmental or regulatory authorities relating to the terms of this agreement, the agent shall comply with the implementation immediately without the application of a notice period, immediately upon being notified by the Company or informed by the regulatory authorities.
- Not to disclose the trade, insurance, administrative and technical secrets of the works related to the Company or use of these secrets in any areas other than the purposes of this contract

• **Company's obligations;**

- Pay the commissions due to the agent (after deducting all amounts owed by the agent - if any) - within (15) days from the date of Company's receipt of the statement of commissions signed by the agent.
- Provide the agent with billboards for the Points of Sale (POS), the necessary publications bearing the name of the Company to be used for the purposes specified for it under this agreement, which are: insurance policies, application forms, annexes and special conditions, advertising and promotional brochures, books of hand receipts and price lists.
- Return the value of the contributions deposited in his account by the agent in respect of the insurance documents that the Company wishes to cancel, in which case the agent will only be entitled to the relative commission for the elapsed period from the date of the validity of the document until the date of cancellation.
- Secure the automated system necessary to connect the agent to the Company's information network. The agent bears the costs incurred for linking the automated system to all of his points of sale to include computer his computers, internet connectivity, and the rights and inputs of the employees who input the data.
- Train the agent's commercial and personnel insurance team within the first three months of the effective date of the agreement.
- Issue of offers for insurance conditions and rates within a maximum of (5) working days from the date of receipt of the completed insurance applications except for offers that require re-insurance. If these offers are accepted by the customer, the Company will issue the insurance documents within (3) working days after collecting and depositing the Subscriptions amounts into the Company's account.
- Responsible directly or indirectly for any of the clients brought by the agent after issuing their insurance policies and paying their own subscriptions and paying the subscriptions for those documents.
- The Company shall periodically have the right and without any objection from the agent to send representatives to the agent's outlets without prior notice for the purpose of inspection, keeping informed, review of work methods, services, administration, checking of records and others to ensure compliance of the agent with the terms and conditions of this Agreement.

• **The applicable law and competent judiciary**

This Agreement shall be governed by and construed in accordance with the laws in force in the Kingdom of Saudi Arabia. In the event of any disagreement or dispute between the parties of this Agreement concerning the implementation, validity or interpretation of this Agreement, such parties shall seek to resolve this disagreement or dispute among themselves amicably or through the formation of a committee from the two parties to resolve the dispute. In case of the inability to reach an amicable solution, the dispute shall be referred to the competent or judicial authorities in the Kingdom.

13-9-3 A Non-Exclusive Marketing Agency Agreement with Arab Insurance Services Company Limited (the "Agent")

The term of the agreement is one Gregorian year starting from 01/12/2016G and ending on 31/12/2017G. It may be renewed via a written agreement between the two parties. If either party does not wish to renew the agreement, it shall notify the other party in writing that he does not wish to renew the agreement at least (60) sixty days before the expiry of the original or renewed period. According to this agreement, the insurance agent will sell and distribute the commercial insurance policies and individual insurance and collect their subscriptions for the Company through the points of sale and distribution in the Kingdom and in accordance with the rules and procedures of dealing annexed to the agreement and the guidance and instructions of the Company as well as SAMA's Insurance Law and Implementing Regulations.

• **Obligations of the insurance agent – including, but not limited to, the following:**

- Carry out his duties in accordance with professional principles in accordance with the regulations of the competent authority and the instructions issued by the Company
- Sending a list of targeted customers to the first party prior to marketing the products in the place of this agreement
- Preparing independent account books for the work related to this agreement

- Keep all records, documents, correspondence and publications separately
- Assigning a reputable staff of good conduct who are familiar with the English language, and assigning an independent team to market the Company's commercial insurance products, and another team to handle the individual insurances.
- Preserve the usernames of the electronic systems that are disbursed to the agent and without abusing them and follow the instructions issued by the Company
- Turning in all unused and used publications bearing the name of the Company and any other documents related to the subject matter of this agreement in case of termination or expiry.
- Bearing all expenses and costs related to his work, his staff and his subjects (such as wages, salaries, bonuses, travel tickets, etc.) in addition to all taxes, zakat or fees imposed by the competent authorities in the Kingdom.
- Non-disclosure, divulge or use of any information or data pertaining to the Company which he has been cognizant of by virtue of his relationship with the Company pursuant to this Agreement. This obligation shall continue during the period of implementation of the Agreement and after its termination or expiry.
- No person, who has been employed by the Company throughout the duration of the agreement and for two years, shall be used or sold in any form. The agent shall maintain the confidentiality of these data.
- No data related to the customers of the Company, such as their names, addresses and details related to them, and the agent to maintain the confidentiality of these data
- Provide the Company immediately and upon request with electronic copies and/or original copies and /or printed copies of all insurance applications enclosed by all supporting documents.
- No waiver or settlement of losses or recognition of any remedies (compensations) shall be made on behalf of the Company without its prior consent.
- Provide the policyholders with the instructions related to the rules and procedures of the claim upon issuing any insurance policy. The agent is also committed to fully cooperate with the policyholders in this regard and with the Company in the investigation and processing and settlement of all claims (compensations) related to the Company's insurance documents issued by the agent.
- Provide the Company with a list of the commissions due to him for each calendar month provided that this is done within (10) days of the expiry date of each calendar month.
- Payment/deposit of all amounts owed to the Company for each month with the required degree of accuracy.
- Sale of documents through authorized outlets (points of sale) by SAMA and according to the work plan agreed upon with the Company.
- Obtain a written consent from the Company upon the selection or appointment of any of the new marketing representatives or supervisors. He should replace them in case of violation of the terms of the agreement, having a bad reputation and take the consent of the Company prior to the appointment.
- Provide the Company with a document of treason for the employees immediately to cover the losses that may arise from the risks covered by the document. The agent alone must bear all responsibilities and liabilities related to those risks before the Company.
- Provide the Company immediately upon signing an unconditional, irrevocable and irrevocable bank guarantee of SAR 200,000 (two hundred thousand Saudi Riyals) for the Company in order to guarantee the implementation of the terms and conditions of this agreement. The guarantee will be valid for 15 months and can be renewed for a period or other similar periods upon request. The Company shall not recover the guarantee until the agent has fulfilled its obligations.
- No waiver of the contract or any part thereof to third parties or a proxy of others, either directly or indirectly without the prior written consent of the Company.
- Take the approval of the Company before making any promotion or advertisement of any form about his relationship with the Company. The agent is responsible for all advertisements for promotion and shall bear all the costs of these ads.
- Not to deal with any other insurance company either directly or indirectly, whether with or without payment, to market any kind of insurance within the Kingdom without obtaining the prior written approval of the Company.
- In the event of any instructions or circulars issued by the governmental or regulatory authorities relating to the terms of this agreement, the agent shall comply with the implementation immediately without the application of a notice period, immediately upon being notified by the Company or informed by the regulatory authorities.
- Not to disclose the trade, insurance, administrative and technical secrets of the works related to the Company or use of these secrets in any areas other than the purposes of this contract.

• **Company's obligations:**

- Pay the commissions due to the agent (after deducting all amounts owed by the agent - if any) - within (15) days from the date of Company's receipt of the statement of commissions signed by the agent.
- Provide the agent with billboards for the Points of Sale (POS), the necessary publications bearing the name of the Company to be used for the purposes specified for it under this agreement, which are: insurance policies,

application forms, annexes and special conditions, advertising and promotional brochures, books of hand receipts and price lists.

- Return the value of the contributions deposited in his account by the agent in respect of the insurance documents that the Company wishes to cancel, in which case the agent will only be entitled to the relative commission for the elapsed period from the date of the validity of the document until the date of cancellation.
- Secure the automated system necessary to connect the agent to the Company's information network. The agent bears the costs incurred for linking the automated system to all of his points of sale to include computer his computers, internet connectivity, and the rights and inputs of the employees who input the data.
- Train the agent's commercial and personnel insurance team within the first three months of the effective date of the agreement.
- Issue of offers for insurance conditions and rates within a maximum of (5) working days from the date of receipt of the completed insurance applications except for offers that require re-insurance. If these offers are accepted by the customer, the Company will issue the insurance documents within (3) working days after collecting and depositing the Subscriptions amounts into the Company's account.
- Responsible directly or indirectly for any of the clients brought by the agent after issuing their insurance policies and paying their own subscriptions and paying the subscriptions for those documents.
- The Company shall periodically have the right and without any objection from the agent to send representatives to the agent's outlets without prior notice for the purpose of inspection, keeping informed, review of work methods, services, administration, checking of records and others to ensure compliance of the agent with the terms and conditions of this Agreement.

• The applicable law and competent judiciary

This Agreement shall be governed by and construed in accordance with the laws in force in the Kingdom of Saudi Arabia. In the event of any disagreement or dispute between the parties of this Agreement concerning the implementation, validity or interpretation of this Agreement, such parties shall seek to resolve this disagreement or dispute among themselves amicably or through the formation of a committee from the two parties to resolve the dispute. In case of the inability to reach an amicable solution, the dispute shall be referred to the competent or judicial authorities in the Kingdom.

13-10 Reinsurance Agreements

- The first article of the Re-Insurance Implementing Regulations was defined as: "The transfer of the insured risk burdens from the Insurer to the reinsurer and the indemnification by the reinsurer of what is paid to the Insured if they suffer damage or loss." Thus, the insurance company insures itself with another company against its losses that may arise from its issued insurance policies. It should be noted that the reinsurance companies listed below are foreign companies. The Company has met the statutory requirements for contracting with reinsurance companies outside the Kingdom specified in Article 42 forty two of the Implementing Regulations.
- Saudi insurers must choose a reinsurer with a minimum rating of BBB according to S & P rating or an equivalent rating issued by a specialized international company if the Company wishes to re-insure with a reinsurer not rated by international companies or with reinsurer whose rating is below the above minimum, in which case, prior written approval from SAMA must be obtained.
- In the same context, Article (16) Sixteen of Chapter Three (Principles of Reinsurance - Classifications) stipulates that domestic and foreign reinsurers employed by an insurance company must enjoy the following classifications at a minimum.
 - (B+) AM Best Company or;
 - (BBB): Fitch Rating or;
 - (BAA): Moody's Investor Service or;
 - (BBB): Standard & Poor's Corporation
- If the reinsurer's rating falls below the required level, the insurance company that contracted with him must immediately notify SAMA and take appropriate measures to protect the insured.
- In the context of determining the scope of insurance coverage for its products, the Company's provisions of insurance policies provided by the Company shall not be more comprehensive than the coverage of the related insurance companies' agreements. Any exception included in the reinsurance agreements shall also be taken into account upon drafting the terms and conditions of the insurance policies issued to its customers. Within one month of the end of each quarter, the Company shall be committed to review the value of the coverage provided to the insured with the value of coverage available from reinsurers. If there are differences in the amount of coverage, the Company shall correct them.
- Insurance companies that apply for SAMA's approval for a new insurance product must submit reinsurance agreements for that product.
- After reviewing the re-insurance contracts, it was obvious that the Company is committed to Article 41 forty one of the Implementing Regulations of the Cooperative Insurance Companies Control Law regarding the conformity

of the coverage provided to the insured with the coverage provided by the reinsurer. The Company asserts that all of its insurance products have been covered by reinsurance contracts and that the terms and conditions of coverage of the insurance policies are not more comprehensive than the coverage limits mentioned in reinsurance contracts and that all exceptions have been taken into consideration.

- The Monetary Authority obliged all insurance companies to re-insure the risks arising from the insurance products licensed to market and sell them. Article (15) Fifteen of the Implementing Regulations for Reinsurance stipulates the following: "Insurance products approved by SAMA shall have acceptable reinsurance arrangements to protect the insurance company and their insurers. If SAMA believes that the insurance company does not have adequate protection for by way of reinsurance, SAMA may not approve any of its products.

1- The Company entered into a number of reinsurance contracts with reinsurance companies through direct contracting and through insurance intermediaries to insure its activities, as follows:

Reinsurer	Rating by S & P	Notes
Under a Direct Contract		
Munich / Munich Re	AA-	<p>The coverage includes reinsurance of the following insurance products provided by the Company</p> <ol style="list-style-type: none"> 1- Reinsurance of Marine Shipments 2- Reinsurance for surplus losses for all insurance products resulting from disasters (property insurance, engineering insurance and marine insurance) 3- Reinsurance of risks, losses and accidents to property due to fire 4- Reinsurance of motors and other liabilities for the Company's total surplus losses. 5- Reinsurance against losses and damages caused by various accidents 6- Life Reinsurance 7- Reinsurance of surplus losses resulting from all risks related to Engineering and Contracting Section
Swiss Reinsurance Company / Swiss Re	AA-	<p>The coverage includes reinsurance of the following insurance products provided by the Company</p> <p>a. Reinsurance for risks arising from the Company's overall liabilities and losses in the context of its coverage of the risks of medical and health malpractice and general liability</p> <p>B. The coverage includes excess losses due to motor insurance - injury and personal injury to third parties, motor insurance - loss and physical damage to third parties, motor insurance - loss and physical damage, motor insurance - personal injury of the insured, motor insurance - third party liability, workers compensation, Employer's liability, and product liability insurance</p>
Saudi Reinsurance Company	BBB+	Reinsurance of excess losses arising from risks, accidents and medical expenses covered by the Company under its insurance policies
Under an Indirect Contract (Through Saudi Arabia's RFIB Limited (Insurance and Reinsurance Brokerage))		
Hannover Reinsurance / Hannover Re	A+	Reinsurance of excess losses arising from risks, accidents and medical expenses covered by the Company under its insurance policies
R & V / R & V	AA-	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
Odyssey / Odyssey Re	A-	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
Malaysian Reinsurance Company / Malaysian Re	A-	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
ARIG (Bahrain) / ARIG	B++	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
GAC / (GIC)	A-	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents

Reinsurer	Rating by S & P	Notes
Emirates Reinsurance / Emirate Re	B++	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
Eco (Echo Re)	A-	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
CCR (French) / (CCR)	AA	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
Hisox (French) / (Hiscox Re)	A+	Reinsurance for all risks related to engineering and marine insurance against fire risks and miscellaneous accidents
Under an Indirect Contract Through AON SAUDI ARABIA Limited (for Insurance Brokerage and Reinsurance)		
Hannover Re	A+	Reinsurance for surplus losses for all insurance products resulting from disasters and miscellaneous accidents
ARIG (Bahrain) (ARIG)	B++	Reinsurance for surplus losses for all insurance products resulting from disasters and miscellaneous accidents
Malaysian Re Reinsurance Company (Malaysian Re)	A-	Reinsurance for surplus losses for all insurance products resulting from disasters and miscellaneous accidents
Trans Re Zurich	A+	Reinsurance for surplus losses for all insurance products resulting from disasters and miscellaneous accidents
Hiscox Re	A+	Reinsurance for surplus losses for all insurance products resulting from disasters and miscellaneous accidents

Source: Legal Advisor

13-10-1 Reinsurance Contract with Hannover Retakaful BSC (Reinsurer)

- 1- Hannover Retakaful BSC Reinsurance Contract. The coverage includes insurance for excess medical expenses or medical insurance, including medical expenses for individuals and groups (accidents and diseases), in-hospital clinical treatment expenses, laboratory and outpatient expenses based upon the standards and requirements of the Cooperative Health Insurance Council. This contract is valid for one year from 01/02/2017G and ends on 31/01/2018G. The scope of coverage covers all Saudi insured residing in the Kingdom of Saudi Arabia provided that the medical treatment has been performed in the Kingdom of Saudi Arabia, with the exception of the GCC countries, for the reimbursement of medical costs and expenses incurred outside the Kingdom. The medical cost is calculated based on the applicable prices in the Kingdom at their minimum extent.
- 2- Under the contract, the reinsurer shall bear the cost for the amount of (SAR 200,000) two hundred thousand Saudi Riyals per every insured person (the first part). The cost shall also be borne by the amount of (SAR 250,000) two hundred and fifty thousand Saudi Riyals per every insured person (the second part) The total value of the annual coverage shall not exceed (SAR 11,000,000) eleven million Saudi Riyals (for the first part) and (SAR 4,000,000) four million Saudi Riyals (for the second part).
- 3- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts.
- 4- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
 - 1- The contract shall be governed by the Saudi law. Any dispute shall be settled by arbitration through (3) arbitrators, each party of whom shall appoint an arbitrator and the third will be appointed by the Governor of the Saudi Arabian Monetary Agency (SAMA). The arbitration shall be located in the city of Riyadh unless the parties agree in writing to the contrary.

* It should be noted that on 26/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-2 Reinsurance contract with Swiss Reinsurance Company (SWISS RE)

- 5- Reinsurance contract with the Swiss Reinsurance Company. The coverage covers the risk arising from the Company's total liability and losses in the context of its coverage of the risks of medical malpractice and general liability. This contract is valid for one year from 01/07/2016G and ends on 30/06/2017G, and shall not be renewed automatically. The scope of coverage covers all insured residing in the Kingdom of Saudi Arabia.
- 6- Under the contract, the reinsurer shall bear a maximum cost of (SAR 1,000,000) one million Saudi Riyals for each insured person practicing a medical profession (responsibility for his professional and personal error). He shall also bear 70% of the cost up to the amount of (SAR 5,000,000) five million Saudi Riyals for the insured hospitals against the risks of responsibility for the act of others, provided that the total value of the annual coverage shall not exceed (SAR 30,000,000) thirty million Saudi Riyals.
- 7- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 8-) For risks resulting from malpractice of the medical or health profession, the coverage does not include hospitals with more than 150 doctors or those with a capacity of 1,000 beds and above, blood analysis centers and risks arising from medical tests and research, biological hazards and risks arising from cosmetic operations (except those performed on a patient or to heal the patient).
- 9- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
 - 2- The contract shall be governed by the English law. Any dispute shall be settled by arbitration through three arbitrators where each part appoints an arbitrator and the third will be appointed by the arbitrators or by ARIAS UK and he presides the arbitral tribunal. The arbitration shall be based in the City of London.

* It should be noted that on 23/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-3 Reinsurance Contract with Swiss Reinsurance Company (SWISS RE)

- 10- Reinsurance contract with the Swiss Reinsurance Company covering excess losses due to motor insurance - injury and personal injury to third parties, motor insurance - loss and physical damage to third parties, motor insurance - loss and physical damage, motor insurance - personal damage to insured, motor insurance - Comprehensive liability to third parties, compensation of workers, responsibilities of employers, and insurance of product liability. This contract shall be valid for one year from 01/07/2016G and expires on 30/06/2017G and shall not be automatically renewed. The scope of coverage includes in the Kingdom of Saudi Arabia, and the policy can be extended to include Egypt, Jordan, Lebanon, Syria, and the GCC countries. For the rest of the countries, coverage is limited to the risks of employer liability and workers' compensation when they are in these countries for a temporary work visit. As for coverage of the general liability for the insured workers who have been temporarily posted to these countries to perform maintenance and construction services for the purpose of serving the insured client who is available there.
- 11- Under the contract, the reinsurer shall bear the cost of insurance coverage up to a maximum amount of twenty five million Saudi Riyals (SAR 25,000,000) for any third party liability for motor insurance (for any net loss resulting from a single accident) and a maximum amount of three million Saudi Riyals (SAR 3,000,000) (for any net loss resulting from a single accident), and a maximum amount of approximately one hundred and ten thousand Saudi Riyals (SAR 110,000) for any net loss resulting from a personal accident affecting the owner of the motor (per person and for one year) and the amount of twenty five million Saudi Riyals (SAR 25,000,000) (for any net loss resulting from a single accident), and (SAR 10,000,000) ten million Saudi Riyals as a maximum overall liability to third parties (for any net loss resulting from one accident) and the amount of ten million Saudi Riyals (SAR 10,000,000) as a maximum amount for liability for managers' and officials' act (for any net loss resulting from an act of one person).
- 12- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 13- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 14- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
 - 3- The contract shall be governed by the English law. Any dispute shall be settled by arbitration through three arbitrators where each part appoints an arbitrator and the third will be appointed by the arbitrators or by ARIAS UK and he presides the arbitral tribunal. The arbitration shall be based in the City of London

* It should be noted that on 23/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-4 Reinsurance contract with Munich Reinsurance Company (MUNICH RE)

- 15- Reinsurance contract with Munich Reinsurance Company covering the risks arising from the Company's total liabilities and losses related to maritime shipping, and includes insurance on vessel structure and the risks of wars, revolutions, insurrection, rebellion or civil conflict. This contract is valid for one year from 01/ 07/2016G and ends on 30/06/2017G.
- 16- Includes re-insurance of the maritime shipping subscribed by the Company and where the destination and / or departure from the Kingdom of Saudi Arabia or the GCC countries. When the destination and/or departure from Saudi Arabia or the GCC countries are not covered only for the benefit of the policy holders who have contracted with the Company in the Kingdom of Saudi Arabia. America and Canada are excluded from the coverage.
- 17- Coverage also includes the cargo of ships from any port and / or anywhere in the world to any port and / or anywhere in the world against the risks of war and strike included in the coverage of the Company's policies.
- 18- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription to the insurance policies approved by the Company.
- 19- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 20- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
 - 4- The contract shall be governed by the English and Wales law. Any dispute shall be settled by arbitration through three arbitrators where each part appoints an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral tribunal in which each party has an arbitrator, and in the event that any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the London Chamber of Commerce and Industry. The two arbitrators shall appoint a third arbitrator to administer the arbitral tribunal. In case this is not done within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry. The third arbitrator shall preside over the arbitral Commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-5 Reinsurance Contract with RFIB Company

- 21- A reinsurance contract with RFIB Company to cover the Company's excess maritime shipping losses, and also includes Insurance of cargo regardless of the shipping method, as well as collateral damage incurred by the Company for flights and ships (excluding containers and livestock). Contract is valid for one year from 01/07/2016G and ends on 30/06/2017G. The maximum coverage and liability of the reinsurer includes an amount of (SAR 300,000,000) three hundred million Saudi Riyals.
- 22- The contract is subject to the Saudi Law, and any dispute is settled by the Saudi courts. In the case of arbitration, the Secretary of the Chamber of Commerce and Industry shall appoint the arbitrators, and the arbitration shall be based in the City of Riyadh.
- 23- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 24- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.

* It should be noted that on 23/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-6 Reinsurance Contract with Munich Reinsurance Company (MUNICH RE)

- 25- Reinsurance Contract with Munich Reinsurance Company covering the risks arising from excess losses for all insurance products resulting from disasters (property insurance, engineering insurance and marine insurance). This contract is valid for one year from 01/07/2016G and ends on 30/06/2017G.
- 26- Reinsurance covers damage and fire losses (including insurance policies subscribed by home owners and occupants), damage to the stock of goods as a result of fire and other risks arising from.
 - Fire and lightning.
 - Explosion (for the purpose of this exception, "explosion" does not mean explosion or disruption of turbines, Compressors, transformers and equipment)
 - Aircraft or other air tools that fall from it.

- Collisions with vehicles, boats, trains or mobile locomotives.
 - Earthquakes.
 - Riot or malicious acts.
 - Storms, Whirlwinds or floods.
 - Explosion or flood of water storage, devices, tools or pipes.
 - Damage resulting from the cessation of activity as a result of the above mentioned incidents
 - Theft when included in the fire risk coverage.
 - For Engineering Insurance: The coverage includes (1) insurance of all contractor hazards (2) Erection All Risk (EAR) Insurance (3) Electronic equipment insurance (4) Contractors' buildings, machinery and equipment insurance (5) boiler and pressure vessel insurance (6) third party liability insurance resulting from contractor risks, Erection risks and loss of profits resulting from equipment failures.
 - For accidents, the coverage includes personal accidents, money stored in the safe, money being transferred, theft, fidelity, glass and travel insurance.
- 27- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 28- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 29- Bankruptcy or liquidation of either party shall terminate the contract.
- 30- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
- 5- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.
- * It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-7 Reinsurance Contract with Munich Reinsurance Company (MUNICH RE)

- 31- Reinsurance contract with Munich Reinsurance Company covering risks arising from:
- 1- Contractor All Risks Insurance.
 - 2- Erection All Risk (EAR) Insurance.
 - 3- Equipment Failures Insurance
 - 4- Electronic Equipment Insurance
 - 5- Contractors Buildings, Machinery and Equipment Insurance
 - 6- Boiler and Pressure Vessel Insurance.
 - 7- Third Party Liability Insurance arising from the hazards of contractors and Erection All Risk (EAR) Insurance and loss of profits resulting from equipment failures.
- 32- This contract shall be valid for one year from 01/07/2016G and ends on 30/06/2017G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries, excluded from the coverage is America and Canada.
- 33- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 34- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 35- Bankruptcy or liquidation of either party shall terminate the contract.
- 36- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenditures resulting from wars and armed conflicts, chemical contamination, and nuclear radiation contamination.
- 6- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute

shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-8 Reinsurance contract with Munich Reinsurance Company (MUNICH RE)

- 37- Reinsurance contract with Munich Reinsurance Company covers the risks arising from motor insurance, including, but not limited to: third party liability, physical injury to third parties inside or outside the vehicle, and physical damage outside the vehicle. Excluded from the document is the damage to the insured vehicles of the fleet of leased cars of Abdullatif Jameel.
- 38- This contract shall be valid for one year from 01/07/2016G and ends on 30/06/2017G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries, excluded from the coverage is America and Canada.
- 39- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 40- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 41- Bankruptcy or liquidation of either party shall terminate the contract.
- 42- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenses resulting from wars and armed conflicts, chemical contamination, and contamination of nuclear radiation.
- 7- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-9 Reinsurance contract with Munich Reinsurance Company (MUNICH RE)

- 43- Reinsurance contract with Munich Reinsurance Company includes coverage of risks arising from various accidents including, but not limited to: For accidents, the coverage includes personal accidents, money stored in the safe, money being transferred, theft, fidelity, glass and travel insurance.
- 44- This contract shall be valid for one year from 01/07/2016G and ends on 30/06/2017G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries, excluded from the coverage is America and Canada. For insured coverage of travel risks, this includes damage incurred during the trip outside Saudi Arabia.
- 45- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 46- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 47- Bankruptcy or liquidation of either party shall terminate the contract.
- 48- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenses resulting from wars and armed conflicts, chemical contamination, and contamination of nuclear radiation.
- 8- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint

a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-10 Reinsurance Contract with Munich Reinsurance Company (MUNICH RE)

- 49- Reinsurance contract with Munich Reinsurance Company covers coverage of risks arising from various natural disasters including but not limited to the following: Excess losses due to natural disasters.
- 50- This contract shall be valid for one year from 01/07/2016G and ends on 30/06/2017G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries, excluded from the coverage is America and Canada.
- 51- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 52- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.
- 53- Bankruptcy or liquidation of either party shall terminate the contract.
- 54- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenses resulting from wars and armed conflicts, chemical contamination, and contamination of nuclear radiation as well as other exceptions mentioned in an annex to the Agreement.
 - 9- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-11 Reinsurance Contract with Munich Reinsurance Company (MUNICH RE)

- 55- Reinsurance contract with Munich Reinsurance Company covering the risks arising from the fire, including coverage - but not limited to - damage and losses caused by the fire (including the insurance policies of home owners and occupants) and damage to the stock of goods as a result of fire and other risks arising from.
 - Fire and lightning.
 - Explosion (for the purpose of this exception, "explosion" does not mean explosion or disruption of turbines, Compressors, transformers and equipment)
 - Aircraft or other air tools that fall from it.
 - Collisions with vehicles, boats, trains or mobile locomotives.
 - Earthquakes.
 - Riot or malicious acts.
 - Storms, Whirlwinds or floods.
 - Explosion or flood of water storage, devices, tools or pipes.
 - Damage resulting from the cessation of activity as a result of the above mentioned incidents
 - Theft when included in the fire risk coverage
- 56- This contract shall be valid for one year from 01/07/2016G and ends on 30/06/2017G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries, excluded from the coverage is America and Canada.
- 57- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 58- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; 6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.

- 59- Reinsurance coverage does not cover compensation for losses, damage, expenses and expenses resulting from wars and armed conflicts, chemical contamination, and contamination of nuclear radiation as well as other exceptions mentioned in an annex to the Agreement.
- 10- The contract shall be governed by the English and Wales Rules. Any dispute shall be settled by arbitration through three arbitrators, each of whom shall appoint an arbitrator unless the parties agree that the dispute shall be settled by one arbitrator. In the event of the selection of an arbitral commission, each party has an arbitrator in it. If any party fails to appoint an arbitrator within four weeks, the appointment shall be made by the President of the Chamber of Commerce and Industry in London or ARIAS UK. The arbitrators shall appoint a third arbitrator for the administration of the arbitral commission. If this did not happen within 4 weeks, the arbitrator shall be appointed by the President of the Chamber of Commerce and Industry or ARIAS UK. The third arbitrator shall preside over the arbitral commission. The arbitration shall be based in the City of London.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-10-12 Reinsurance contract with Munich Reinsurance Company (MUNICH RE)

- 60- Reinsurance contract with Munich Reinsurance Group includes life insurance policies for groups including additional coverage (death, accident disability, terrorism and war risks).
- 61- The contract was signed on 05/04/2006G for an unspecified period and was amended on 01/09/2012G. The geographical scope of the contract includes the following countries: Kingdom of Saudi Arabia and the GCC countries.
- 62- The Company shall notify the reinsurer in the event of substantial amendments to the policy of subscription in the insurance policies approved by the Company.
- 63- The reinsurer shall incur (100%) of life insurance with a maximum limit of one million and six hundred thousand Saudi Riyals (SAR 1,600,000) for coverage included by the life insurance policy in addition to the additional coverage for any resulting loss or death. Thus, the coverage limit shall be two million Saudi Riyals (SAR 2,000,000).
- 11- Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) total loss or part of the Company's Share Capital (capital reduction), 3) (5) the violation of the terms of the contract or the inability to implement them; (6) the location of one of the parties becomes an arena for wars and armed conflicts, which is not permitted to carry out its activities. Each party may terminate the contract by written notice to the other party in the following cases: 1) change in the ownership of one of the parties, 2) capital reduction, 3) bankruptcy, 4) Cancellation of the activity license for either party (5) violation of the terms of the contract or the inability to implement them; (6) the location of one of the parties becomes an arena for wars and armed conflicts which may not allow him to carry out his activities.

* It should be noted that on 30/01/2017G, the Company obtained the approval of the reinsurer for restructuring the capital, which includes reduction of capital in order to avoid any breach of the terms of the contract.

13-11 Contracts with Insurance Service Providers

13-11-1 Agreement Provision of Actuarial Services with the Actoscope

The Actoscope Actuarial Services Agreement was reviewed, whereby Actoscope is committed to providing advice, recommendations, presentation of results, input, actuarial data and data on the Company's current and future financial position and to provide studies on the Company's ability to meet its future obligations and to determine retention rates, pricing of insurance products, adoption of technical allocations of the Company and to view the investment policy of the Company and make recommendations on it and to make any other actuarial recommendations related to insurance products. The agreement shall be valid for a period of twelve (12) calendar months starting from 01/03/2017G. It may be terminated before the expiry of the period by any party in the event of the other party committing a material breach if it is not corrected within 30 days from the notice of the party that violates it. The agreement includes the limits of liability arising from actuarial transactions where the agreement stipulates that the total amount of the fees payable under the agreement shall not exceed six hundred and sixty-two thousand Saudi Riyals (SAR 662,000). The agreement is subject to the Saudi law.

13-11-2 Service Agreement with Lux (Actuarial and Consulting Services)

On 18/05/2014G, the Company entered into an agreement with Lux, a company established in Bahrain that specializes in providing advice, recommendations, presentation of results, information, actuarial data and data on the current and future financial position of companies and other technical services.

Under the agreement, Lux will provide the actuarial valuation study and reports on the Company's liabilities towards the employees (such as end of service indemnity and annual leaves), actuarial valuation of employees' rights in accordance with International Accounting Standards (IAS 19), employee statements, salaries and other documents. Provide any other actuarial recommendations related to insurance products (e.g. motors, health insurance, etc.) against a fee of (SAR 30,000) thirty thousand Saudi Riyals provided that 50% is paid as a fee provider and the rest is for providing the Company with

actuarial reports. It was agreed that the Company will bear the expenses and costs of travel and accommodation.

This agreement is subject to the Saudi law. In the event of any dispute between the two parties and no amicable solution has been reached, alternative dispute resolution procedures shall be applied according to local regulations.

Noteworthy, the Company has been dealing with Lux since 2008G for the purpose of providing advice, recommendations, presentation of results, input, actuarial data and information on the current and future financial position of the Company and providing studies on the Company's ability to pay its future liabilities and determining retention rates, pricing of insurance products, identify and adopt the technical allocations of the Company, view the investment policy of the Company, make recommendations to it, make any other actuarial recommendations related to insurance products.

The Company's letter No. (22/17 / CD) dated 26/02/2017G was reviewed, under which SAMA was notified of the termination of the actuary contract (Lux Company) after 9 years of working with it, and the desire of the Company to obtain a "no objection" to appoint the new Actuary (Scope for Actuarial Services)

13-11-3 Motor Vehicle Insurance Agreement at Outlets with the Cooperative Company for Cooperative Insurance

On 22/03/1436 H (corresponding to 13/01/2015G), the Company has signed an agreement to participate in the mandatory insurance for foreign vehicles traveling through the Kingdom of Saudi Arabia through all border ports (except for Bahrain Port, "King Fahd Causeway") with 24 Insurance Companies (ACE Arabia Cooperative Insurance Company, Al-Saqr Cooperative Insurance Company, Al-Ahlia Cooperative Insurance Company, Allianz Saudi Fransi Cooperative Insurance Company, United Group Cooperative Insurance Company - ASIG, -Al Rajhi Cooperative Insurance Company-, Amanah Cooperative Insurance Company, Arabic Cooperative Insurance Company, AXA Cooperative Insurance Company, Buruj Cooperative Insurance Company, Al-Khaleej General Cooperative Insurance Company, Ittihad Al-Khaleej Cooperative Insurance Co., Malath Cooperative Insurance and Reinsurance Company, Saudi Arabia Cooperative Insurance Company, Saudi Indian Cooperative Insurance Company, Wafa Cooperative Insurance Company, United Saudi Cooperative Insurance Company, Saudi Solidarity Takaful Company, Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, Union Commercial Cooperative Insurance Company, United Cooperative Insurance Company, National Insurance Company, Inmaa Tokio Mari , Arabian Shield Cooperative Insurance Company, Salama Cooperative Insurance Company). The shares were distributed equally among all parties provided that the portfolio is managed by Tawuniya Cooperative Insurance Company and receives a 15% share of the net profits of the portfolio for its administration. A percentage of 4.25% of total outlet portfolio premiums are deducted for indirect expenses. The agreement is governed by the regulations in force in the Kingdom of Saudi Arabia. This document shall be effective from 10/03/1436 H (corresponding to 01/01/2015G) and ends on 13/04/1439H (corresponding to 31/12/2017G). The agreement shall be renewed if the parties agree to renew it for a period of one year or similar periods.

13-11-4 Agreement for the Provision of Data Analysis Services for Motor Insurance with (Quant Data Analysis & Analysis WLL)

On 03/04/2016G, the Company entered into an agreement with Quant to provide risk assessment services and to develop a risk plan for a period of three (3) years based on the results to be determined in the context of the evaluation in addition to organizing workshops on Risk Assessment and Staff Training (a maximum of 3). It will also provide advice, recommendations, presentation of results, input, actuarial data and information on motor insurance status. The term of the agreement is one year that starts from 01/04/2016G and terminates on 31/03/2017G. It shall be automatically renewed unless there are substantial modifications in the scope of service to be provided. Any party may terminate the Agreement in the event of a breach by the other Party of the terms of this Agreement provided that the violating party has been notified within 3 months prior to the date of termination. The scope of work includes (3) phases: First, the integrating, processing and managing the data phase. During this phase, the Company is provided with a database and data report on the vehicles. Secondly, the phase of providing data analysis of vehicle data and expressing opinion and future vision. Thirdly, the training stage on actuarial analyzes in the field of motor insurance. This stage is also the provision of maintenance and development services. The service provider receives a fee of 22,500 twenty-two thousand five hundred Saudi Riyals to be paid at the beginning of each month. This stage also provides maintenance and development services. The service provider receives a fee of twenty two thousand twenty five hundred Saudi Riyals (SAR 22,500) to be paid at the beginning of each month. The fee allowance includes the withholding tax. The Company shall not bear the expenses for travel and accommodation unless the work requires the travel and accommodation of the service provider outside the Kingdom of Saudi Arabia or Bahrain. The service provider shall comply with the insurance regulations, its Implementing Regulations and the instructions issued by SAMA on 24/06/2015G in respect to subscription in motor insurance documents and the actuary act regulations, etc. Under the agreement, the Company shall not disclose any matter relating to the terms of the agreement or services, reports and information prepared by the service provider or any other document without obtaining its consent. The agreement is subject to Saudi regulations and any dispute not settled amicably is referred to Saudi courts.

13-12 Contracts with Accounting and Consulting Services Providers

13-12-1 Accounting Services Agreement with International Accountants in partnership with HLB International (Auditors)

On 17/04/2016G, the Company entered into an agreement with the auditors to audit the Company's accounts for the year ended on 31/12/2016G, conduct quarterly examinations and issue a preliminary examination report on the financial statements in both Arabic and English, in addition to expressing opinions on the financial statements and conducting the audit in accordance with financial standards, requirements of the Companies Regulations and the Company's bi-laws (Articles of Association). It is the responsibility of the auditors to submit a joint report to the Company shareholders with an opinion as to whether the Company maintains proper accounting records and whether the Company's financial statements conform to the accounting records and should indicate in the report whether the financial statements are not consistent in all material respects with the reporting IFRSs. Auditors are also required to bring to the attention of the Administration, the Audit Committee and the Board of Directors in the event of disclosure of any fraud, error or non-compliance with the rules and regulations, without any liability towards that. Auditors are also required to submit an independent letter clarifying any material weaknesses that may require their attention in the accounting, internal control systems and company governance. In accordance with Article 6 of the Agreement, the Company shall not disclose any matter relating to the financial statements prepared by the auditors, the report or any document in which the name of the auditors is indicated on without their consent. The auditors will be paid for the implementation of the scope of work specified in the Agreement a fee of a total value of (SAR 390,000) three hundred and ninety thousand Saudi Riyals. The method of payment will be as follows: For audit services, 25% will be paid at the start of the audit planning process, 50% at the start of the internal audit process and 25% upon the completion of the draft financial statements. The petty expenses that auditors may incur on behalf of the Company are added to the fees. This Agreement shall continue to apply until the auditors have completed the scope of auditing, review and necessary reporting. The agreement may be terminated at any time by any party by notice to the other party. If the Company decides to terminate the services of the auditors before completing their duties, the Company shall in this case pay the full fees. This contract shall be governed by and construed in accordance with the regulations prevailing in the Kingdom.

The appointment of the Office of International Accountants and HLP Global as auditors was disclosed to the General Assembly pursuant to the corporate regulations, and the regulations and instructions issued by the Commission.

13-12-2 Accounting Services Agreement with Dr. Mohammed Al Omari & Co. (Chartered Accountants & Consultants)/BDO

On 11/04/2016G, the Company entered into an agreement with Dr. Mohamed Al Omari & Partners (BDO) to provide auditing services for the Company's accounts for the year 2016G, and to evaluate the accounting standards used and to prepare a report in this regard in addition to the conduct of quarterly examinations and the issuance of preliminary examination report on the financial statements, in addition to the expressing opinion on the financial statements and conduct the audit in accordance with the accounting standards adopted in Saudi Arabia and according to the requirements of the companies regulation and the Company's bi-law. The auditors are required to submit a joint report to the Company shareholders with an opinion on whether the Company maintains proper accounting records, and whether the Company's financial statements conform to the accounting records. They should mention in the report whether the financial statements are not consistent with all material aspects of IFRSs. Auditors are also required to bring to the attention of the Administration, the Audit Committee and the Board of Directors, in the event of disclosure of any fraud, error or non-compliance with the rules and regulations, without any liability. Auditors are also required to submit an independent letter clarifying any material weaknesses that may require their attention in the accounting and internal control systems and the Company governance. Under the agreement, the Company shall not disclose any matter relating to the financial statements prepared by the auditors, report or any document in which the name of the auditors is indicated on without their consent. The auditors will be paid for the implementation of the scope of work specified in the Agreement a fee of a total value of three hundred and fifty thousand Saudi Riyals (SAR 350,000). The method of payment will be as follows: (50%) as provider fees at the commencement of audit procedures and the rest upon the issuance of the last draft of the audit report. The agreement is subject to Saudi regulations and any dispute not settled amicably is referred to Saudi courts.

The appointment of the Office of Al Amari in partnership with BDO, as Controller was disclosed to the General Assembly pursuant to the corporate regulations, and the regulations and instructions issued by the Commission.

13-12-3 Legal Services Agreement with Clyde & Co. - Middle East - LLP (Advocates & Consultants)

On 01/02/2017G, the Company entered into an agreement with Clyde & Co (managed through its Riyadh's office) to provide general legal advice services within the scope of claims or issues related to the coverage of insurance policies for the following insurance sectors (property - marine - contracting and energy - professional compensations) provided that the value of the claims and obligations of the Company shall not exceed SAR 1 million and the general consultations on the insurance laws in force in the Kingdom. The parties have clearly excluded from the scope of work of the Legal Advisor any issues related to reinsurance, litigation or arbitration. The term of this Agreement shall be one year that is renewed

automatically for one similar year unless one of the parties informs the other party that it does not wish for the agreement to be renewed by a period of 30 days prior to its expiry. The Legal Advisor shall receive for his services an annual fee of three hundred thousand Saudi Riyals (SAR 300.000) and shall be paid in two installments every six (6) months. With respect to government fees and other expenses (such as translation of documents etc.) incurred by the Legal Advisor, it has been agreed that the Company shall bear those expenses.

13-13 IT Contracts

The Company relies on an appropriate IT system to protect and maintain its data and to avoid any technical problems that may adversely affect the Company's business. The total Company's expenses in relation to information technology amounted to two million Saudi Riyals (SAR 2,000,000) as of 31/12/2016G. The Company also has an independent IT department that has adopted a number of regulations and policies to regulate its work and ensure the protection of the database, information and programs. A group of contracts and agreements for computer programs and information technology have been concluded, the most important of which are:

13-13-1 License and Technical Support Services Agreement with Al Jeraisy for Electronic Services

On 06/01/2017G, a license contract was renewed using cloud computing services/Meraci Cloud and to provide support in the value of thirty thousand one hundred and twelve Saudi Riyals (SAR 30,112) per year. Al Jeraisy Company will provide technical support for a period of 60 days a year.

13-13-2 Annual HRMS Human Resources Service Agreement with Investec (IST)

On 01/02/2017G, the maintenance services agreement was renewed at a value of (SAR 64,740) sixty four thousand seven hundred and forty Saudi Riyals and will continue until 31/01/2018G. The Company has already acquired on 06/03/2011G the IST Human Resource System to reduce the manual workload of these administrative activities. The Company can automate many of these operations and finish them electronically. The contract value amounted to two hundred and forty seven thousand and five hundred Saudi Riyals (SAR 247,500).

13-13-3 Cisco Software Renewal License Agreement (CISCO) / (ECMU) with the Company Representative in Saudi Arabia (BMB Saudi Arabia)

On 15/02/2017G, the Company renewed Oracle's license using its ECMU software with BMB / Abdulrahman Khazim Establishment. The license expires on 14/02/2018G with a total amount of (SAR 40,000).

13-13-4 Technical Support Services Agreement with Cisco (CISCO)

On 01/06/2016G, the Company has signed a network management agreement with Cisco whereby the Company will benefit from the technical support services provided by IT experts over the Internet to help resolve the operational problems with the required speed and improve the performance of the network. The total value of the services amounts to one hundred and one thousand three hundred and twenty nine Saudi Riyals (SAR 101,329) per year and this Agreement shall be valid until 01/06/2017G.

13-13-5 Technical Support Services Renewal Agreement with JUNIPER NETWORKS Company

On 22 February 2016G, the Company renewed its agreement to subscribe to Juniper Networks technical support whereby a specialized team receives and processes the Company's requests through the internet, provide solutions to the Company's IT problems and protects data as it flows from and to the Company from viruses and malware. Juniper Networks Company also provides training services for the Company's staff on fault troubleshooting. The total value of the services is twenty thousand Saudi Riyals (SAR 20.000) and this agreement applies is valid until 21/02/2017G.

13-13-6 Technical Services Agreement with Oracle (Oracle)

On 30/06/2016G, the service contract No. 4153025 was renewed with Oracle Technical Support for some Oracle programs and will be valid until 29/06/2017G. The cost of the renovation amounted to sixty thousand Saudi Riyals (SAR 60.000) paid in advance.

13-13-7 Microsoft Microsoft Software Agreement with Al-Nafeesah International Company for Information Technology

On 01/07/2016G, the Company renewed with the Al Nafeesa Company an agreement for Software Renewal Program (Microsoft) for a period of one year ending on 30/06/2017 with a total value of seven hundred and twenty thousand Saudi Riyals (SAR 720,000) paid in advance. This is the Company's third renewal.

13-13-8 Al-Elm Information Security Agreement to provide Direct Service

On 28/11/2016G, the Company signed an amendment to the agreement signed on 30/07/2013G with Al-Elm Information Security Company that ends on 28/11/2017. The value of the agreement amounted to eight hundred and fifty-six thousand and eight hundred and eighty Saudi Riyals (SAR 856,880) annually paid in advance.

13-14 Insurance Policies Issued by the Company

The following is a summary of the most important insurance policies issued by the Company in terms of the value of premiums and insurance coverage provided to its customers:

13-14-1 Motor Insurance Policy with Abdullatif Al-Issa Holding Group of Companies

On 28/02/2017G, the motor insurance agreement of Abdullatif Al Issa Holding Group was renewed for a Gregorian year starting from 01/03/2017G and ending on 28/02/2018G whereby the Company provides insurance coverage for the Group's vehicles and its subsidiaries (which includes Abdul Latif Al Issa Motors, Al Yusr Leasing & Finance Company, Best Rent A Car and General Automotive Company). Coverage within Saudi Arabia (geographical scope) includes the following:

- **For Al Yusr Leasing & Finance Company:**

- Coverage covers about 4,000 vehicles.
- Damage of the insured vehicle (insurance or market value whichever is less)
- Liability to the third party (maximum liability of the Company per incident and during the period of validity of the document for physical injuries including blood money and estimated amounts of injuries, medical expenses and physical damages together not exceeding ten million Saudi Riyals (SAR 10,000,000) maximum for the Company's liability.
- Towing, preserving and protecting SAR 1000 for each accident)
- Emergency medical treatment costs SAR 25,000 per person for each accident).

The total premiums written as of the date of this Prospectus amounted to two hundred and twenty two million Saudi Riyals (SAR 232,000,000).

- **For Best Trading Company:**

- Coverage includes (1,422) vehicles.
- Damage of the insured vehicle (insurance or market value whichever is less)
- Liability to the third party (maximum liability of the Company per incident and during the period of validity of the document for physical injuries including blood money and estimated amounts of injuries, medical expenses and physical damages together not exceeding ten million Saudi Riyals (SAR 10,000,000) maximum for the Company's liability.
- Towing, preserving and protecting SAR 1000 for each accident)
- Emergency medical treatment costs SAR25,000 per person for each accident).

The total premiums written as of the date of this Prospectus amounted to SAR 23 million.

13-14-2 General Insurance Policies with Tabuk Cement Company

On 27/10/2016G, the general insurance agreement was renewed for one calendar year starting from 08/11/2016G and ends on 07/11/2017G, under which the Company provides insurance coverage as follows:

- Property Insurance Policy for All Risks and Loss of Profits.
- General Civil Liability Insurance Policy.
- Marine Insurance Policy.
- Car Insurance Policy.
- Machinery and Equipment Insurance Policy.
- Boiler Insurance Policy.
- The annual subscription amount resulting from the Compulsory Health Insurance Policy is SAR 2,784,739
- For comprehensive motor insurance coverage included:
- About (62) cars.
- Damage of the insured vehicle (insurance or market value whichever is less).
- Liability to the third party (maximum liability of the Company per incident and during the period of validity of the document for physical injuries including blood money and estimated amounts of injuries, medical expenses and physical damages together not exceeding ten million Saudi Riyals (SAR 10,000,000) maximum for the Company's liability.

- Towing, preserving and protecting (1000 Saudi Riyals for each accident)
- Emergency medical treatment costs (3,000 Saudi Riyals per person for each accident).

13-15 Insurance with Other Company

As an insurer, the Company has entered into a number of insurance policies with local insurance companies to cover certain risks that may arise in the course of its activity. Insurance coverage includes:

13-15-1 Insurance policy for the Responsibility of Directors and Executives with Metlive

The liability insurance policy provides Malath members of the Board of Directors and executives with insurance coverage for liability that may be asked for systemically due to an unintentional error or negligence committed or alleged to be committed in the course of managing the affairs of the Company. Coverage also includes non-executive directors within the scope of the policy. Insurance coverage begins on 01/11/2016G and ends on 31/10/2017G. The insurance granted under this document shall be subject to the insurance law and its Implementing Regulations. The Board of Directors of Metlive shall decide the distribution of at least ten percent (10%) of the net annual surplus resulting from the insurance business to the policyholders after deducting their administrative expenses, liabilities and reserves. Distribution will be either by disbursing cash directly or by deducting it from the value of the contributions due to the following year's insurance documents. The amount, timing, manner and eligibility of such distribution shall be determined in accordance with the provisions of Article 70 of the Implementing Regulations issued by SAMA.

- 1- Rights arising from this document shall be waived if the claim submitted is due to fraud.
- 2- The total obligations of a company under this policy for damages shall not exceed the agreed compensation limit between the two parties.
- 3- Any claim submitted with the aim of fraud against the Company shall be rejected.
- 4- Any claim where the Company found the insured to have concealed information about the Company or provided false information shall be rejected.
- 5- The insured shall pay all contributions to benefit from the coverage.
- 6- Observe reasonable care measures to prevent or mitigate loss, damage, injury, liability, maintenance/preserving the Company's position and adherence to the regulations applicable to the activity.
- 7- Payment of the deductible amount borne by the insured.
- 8- Metlive, at its own expense and with regard to its own interest, and in the name of the insured, has the right to initiate the action on all claims and exercise all the rights of the insurer against third parties.

Metlive is not responsible for any of the following:

- 1- Damage caused by intentional or negligent action.
- 2- Loss of property and physical damage.
- 3- Losses resulting from contamination.
- 4- Losses incurred as a result of the appointment of the insured by the Court to administer the property or legacy of another person or to carry out a will.
- 5- Losses and damages incurred prior to the date of signature of the document with the insured.
- 6- Metlive is entitled to cancel the document in the following cases:
- 7- Non-compliance with payment of installments.
- 8- When cancellation is required or permitted under the Saudi law or regulations or a judicial order to that effect.
- 9- When care and maintenance are not reasonably exercised.
- 10- When the insurer fails to enforce his duty of disclosure.
- 11- When the insured fails to apply an item of his policy such as provisions, terms or undertakings.
- 12- If there are any changes in the facts or circumstances that existed at the inception of the insurance, and would change the nature of the risk (such as the nature of the business type, the values and amounts insured, other circumstances that may affect the insured situation or property in such a way that increases the possibility of loss or damage).
- 13- When the insured submits a fraudulent claim under his policy or under certain other insurance contracts that provide cover for the same period and date included in the coverage of his document.

13-15-2 Health Insurance for Employees

- 1- Article (144) hundred fort four of the Labor Law stipulates that the employer shall provide health insurance to his employees according to the levels determined by the Minister of Labor, taking into account the provision of the Cooperative Health Insurance Law. Article (5) five of the Implementing Regulations of the Cooperative Health Insurance Law approved by Ministerial Decision No. 9/35/1/Z and dated 13/04/1435H (corresponding to 13/02/2014G) ascertains that the employer shall be obliged to conclude an health insurance policy with an insurance company

covering all staff members subjected to this system and their family members. The employer shall be bound by the insurance coverage of the beneficiary from the date of arrival in the Kingdom and handing him the insurance card within a period not to exceed ten working days from the date of arrival.

- 2- In accordance with Article (14) of the Cooperative Health Insurance Law, if the employer does not subscribe or does not pay cooperative health insurance premiums for the employee to whom this law applies to and to his family members included in the cooperative health insurance policy, he will be obliged to pay all installments payable, in addition to paying a fine not to exceed the value of the annual subscription for each individual and he may be deprived of the recruitment of labors for a permanent or temporary period.
- 3- If any of the cooperative insurance companies fail to fulfill any of the obligations specified in the Cooperative Health Insurance Law, they are obliged to fulfill these obligations and to compensate for damages resulting from the breach thereof, in addition to paying a fine not to exceed five thousand Saudi Riyals (SAR 5,000) per person covered by the document in place of violation.
- 4- The insurance company shall issue a certificate to the employer (policyholder) upon request advising that his employees are insured to submit it to the competent authority to issue and renew residence permits.
- 5- As an employer, the Company did not sign a health insurance contract for its employees with any of the insurance companies licensed to operate in the Kingdom but it has provided health insurance to all its employees and members of their families directly. The total value of health insurance policy number (9000733) dated 07/11/1437H (corresponding to 10/08/2016G) amounted to four million nine hundred and sixty six thousand six hundred and eleven Saudi Riyals (SAR 4,966,611). This document covers health care through the network of service providers appointed by the Company provided that the condition is covered by the insurance coverage. Coverage includes all employees on the job who are actually eligible for insurance as of the effective date of the document. (Spouse /wives and children - minimum: from the date of birth and children - maximum: up to 25 years). Employees who join the Company later are considered eligible for insurance from the date of their employment or from the date of their arrival in the Kingdom. The insurance coverage under this document also includes the employee's unmarried daughters if they are not employed, widows or divorced women who depend on their employment on the worker and this coverage reaches the maximum age applicable to the employee. The document includes the recoverable cost of actual costs paid for services, materials and equipment not excluded from the policy coverage. Issued by a licensed physician, for an illness inflicted the insured provided that such expenses are necessary and appropriate and in accordance with the normal rates at the time and place where they occurred. Based on the above, recoverable costs include:
 - All costs of medical examination, diagnosis, treatment and medication, as per the schedule of the document.
 - All hospitalization costs including surgical operations, surgeries and the one day treatment as well as delivery.
 - Dental treatment and periodontal disease.
 - Specific preventive measures imposed by the Ministry of Health such as vaccinations, maternity and childhood care.
 - Acute mental illness and infectious diseases that need to be isolated in the hospital as determined by the Ministry of Health.
 - The cost of returning the body of the insured to his home country.

This document shall be in effect until 17/11/1438H (corresponding to 09/08/2017G). The Council of Cooperative Health Insurance and the committee formed by a decision of the President of the Council to look into the violations of the provisions of the Cooperative Health Insurance Law shall be authorized to settle all differences and disputes arising from or related to this document in accordance with Article (14) of the said Law.

13-16 Disputes and litigation

- 1- Except for the litigations as set forth in the table below, the Company's Board of Directors asserts that the Company is not a party to any existing litigation, claim, arbitration or administrative proceedings combined or individually or that may be filed which could have materially affected the Company's business or financial position. The suits have been divided according to their subject matter and the stage reached until the date of preparing this prospectus, according to the following.

Case	Prosecutor	Defendant	Case Topic	Legal Action Taken	Judicial Authority
Abdul Aziz Ali Al-Telaihi against the Company- Al Ahsa	Abdul Aziz Ali Al-Telaihi	Company	Plaintiff claims for (SAR 45,795), recalculation of End-of-Service Award for the defendant's procrastination for nine months.	The decision of the Court of First Instance for the Settlement of Labor Disputes was issued in AHSA under No. 403/436 dated 8/8/1436 H (corresponding to 26/05/2015G), which included rejecting the plaintiff's claims in full and obliging him to pay the attorney's fees to the respondent company(SAR 5,000) five thousand Saudi Riyals. This decision and was supported by the Supreme Court for the Settlement of Labor Disputes in Dammam and your Excellency was addressed for implementation and we have not received a response to this regard	The Court of First Instance for Settlement of Labor Disputes in Al-Ahsa
Mohamed Marzouq Al - Shamardal against Malath Insurance and Reinsurance Company in Gurayyat	Mohamed Marzouq Al - Shamardal	Company	The plaintiff demands that he be returned to work - Paying his late salaries from the date of 30/5/2014 wherein he stated that his monthly salary is SAR 3500. He seeks compensation for the deletion of his name from the Social Insurance (records).	The court's decision was issued regardless of the plaintiff's suit. He submitted his objection and the suit was referred to the Supreme Court for the Settlement of Labor Disputes in Hail. The verdict was postponed without defining a date and the parties will be contacted later to determine the date of verdict (sentencing)	Supreme Court for the Settlement of Labor Disputes in Hail
Mohamed Al Hatem against Malath Insurance and Reinsurance Company in Gurayyat	Mohamed Al Hatem	Mohamed Al Hatem	The plaintiff hereby requests the following: (SAR 533,000.00 Saudi Riyals) five hundred and thirty-three thousand Saudi Riyals, for salaries delayed for six-years, and an amount of (SAR 44416) forty-four thousand four hundred and sixteen Saudi Riyals end of service benefits.	On Monday, 6/5/1437H (corresponding to 15/02/2016G).We have mentioned to the member of the Commission that there is a criminal case filed by our client against the plaintiff before the Board of Grievances and was provided with the referral note issued by the Board of Grievances to the Investigation and Public Prosecution Commission. Accordingly, the member of the Court of first Instance decided to address the Board of Grievances in Dammam and inquire about the criminal proceedings and to keep the papers of the labour case until the Board of Grievances responds.	The Court of First Instance at the Labor Office in Dammam

Case	Prosecutor	Defendant	Case Topic	Legal Action Taken	Judicial Authority
Prosecutor against Mohamed El Hatem	Prosecutor	Mohamed Hatem	Indictment of fraud against the defendant	On Wednesday, 27/12/1437H corresponding to (28/09/2016G), the Chamber convicted the defendant of forgery charge attributed to him and fined him a sum of fifty thousand Saudi Riyals. The parties to the case were informed that they have the right to object within 30 days beginning on 28/12/1437H (Corresponding to 29/12/2016G) and the suit is still on appeal.	Criminal Court in Dammam
Abdul Karim Harran Al Anazi against Malath Insurance & Reinsurance Company in Riyadh	Abdul Karim Harran Al Anazi	Malath Insurance & Reinsurance Company		On Thursday, 14/10/1436H (Corresponding to 30/07/2015G), The defendant reported to the investigator office at office number (6) of the Riyadh Labor Office for settlement and. It was obvious that the plaintiff was absent and the case was filed	Riyadh Labor Office


Source: Legal Advisor

- 2- On the other hand, in the course of its business, the Company has been exposed to cases and claims filed by some of the policyholders regarding its insurance operations and insurance coverage disputes and claims. As of 31/12/2016G, there are (58) claims in the vehicles and general insurance sectors for a total amount of thirty-two million four hundred and ninety-five thousand seven hundred and twenty Saudi Riyals (SAR 32,495,720).

13-17 Intangible Assets

13-17-1 Trade Marks

The Company's competitive position depends largely on its ability to use its name and logo through which its services are marketed and sold. Therefore, the Company aims to preserve the vital image of its trade name which has been accepted by its customers. The competitive position of the Company depends on several factors, including the ability to use the trademark to provide market services and protect its rights. Two trademark registration certificates were registered on behalf of the Company as follows:

Issuing agency	Ministry of Commerce
Document Type	Trade Mark Registration Certificate
Owner of the Trademark	Malath Cooperative Insurance Company
Trademark Description	Two words "Malath Insurance" are in Arabic and Latin letters, especially in green.
Trademark Picture	
Trademark No.	61/1090
Trademark Date	21/08/1430H
Trademark Activity	Insurance services and Financing and Fanatical and affairs
Protection Date	Starting from 25/08/129H to 24/08/1439H

Source: Legal Advisor

Issuing agency	Ministry of Commerce
Document Type	Trade Mark Registration Certificate
Owner of the Trademark	Malath Cooperative Insurance Company
Trademark Description	Two words "Malath Care" in Arabic and Latin letters, especially in green and gray. Protection does not cover the word (Care) separately
Trademark Picture	
Trademark No.	75/1162
Trademark Date	28/05/1428H
Trademark Activity	Insurance, especially Health – Category 36
Protection Date	Starting from 02/12/1429H to 28/12/1439H

Source: Legal Advisor

13-18 Shareholders' Rights م

The Companies Law and its Implementing Regulations as well as the CMA Law and its Implementing Regulations guarantee the Shareholders' rights related to their shares. The Company is constantly working to protect the rights of Shareholders, establish the principle of equity and equality among them non-discrimination between the owners of the same class of shares, facilitate the exercise of these rights and not to withhold any right from them. The Company's Corporate Governance Regulations ensure that Shareholders are entitled to exercise the said rights, in particular:

- 1- Obtain his/her share of the net profits to be distributed in cash or in shares. The Company's By-Laws set forth the percentage to be distributed to Shareholders after setting aside the statutory reserve and other reserves in accordance with a clear policy established by the Board of Directors on the distribution of profits and in accordance with the General Assembly resolution issued in this regard, which clarifies the Eligibility date and the distribution date, taking into account the regulatory controls and procedures issued in implementation of the Companies Law of listed shareholding companies when implementing the General Assembly resolution.
- 2- Obtain his share of the Company's assets upon liquidation.
- 3- The right to attend OGM's and EGM's regardless of his/her number of shares, participate in their deliberations, and vote on their decisions.
- 4- Dispose of his shares according to the provisions of the Companies Law and the Capital Market Law and their Implementing Regulations
- 5- Monitor the performance of the Company and the work of the Board of Directors through attending the General Assemblies of the Company.
- 6- Hold the Directors accountable and submit the liability claim against them, challenge the invalidity of decisions of Shareholders' OGM's and EGM's in accordance with the conditions and restrictions contained in the Companies Law and the Company's By-Laws.
- 7- Preemptive Right to subscribe for the New Shares issued in exchange for cash shares, unless the EGM ceases to exercise the right of priority - if provided for in The Company's By-Laws - in accordance with Article 140 of the Companies Law.
- 8- See The Company's documents such as financial statements, report of the Board of Directors, Auditor's report and minutes of the General Assemblies.
- 9- Each shareholder shall have the right to discuss the issues on the agenda of the Assembly and to ask questions thereon to the members of the Board of Directors or the Auditor and the right to obtain a convincing answer and the right to appeal to the Assembly if he/she finds the answer unconvincing.

The General Assembly may not take any decision to deprive the shareholder or modify any of his basic rights referred to above which he/she enjoys as a partner and any decision in this regard shall be considered null and void

13-19 Voting Rights

Article 34 of the Company By-Laws stipulates that votes shall be counted in the Constituent Assembly and ordinary and extraordinary General Assemblies on the basis of one vote for every share. Cumulative voting shall be used in the election of the Board of Directors, so that the right to vote for a share may not be used more than once. Members of the Board of Directors may not participate in voting on the resolutions of the Assembly relating to discharge themselves of their liability on the management of the Company or those related to a direct or indirect interest to them.

13-20 Repurchase Rights

The Company By-Laws has not dealt with the possibility of repurchasing the shares of the Company. Accordingly, it should be referred to the Companies Law, Article 111, which permits the consumption of shares by purchasing the Company of its shares provided that their price shall be less than the nominal value or equal to this value. The Company shall cancel the shares acquired in this manner, together with the provisions of Article (146), which allows the Company to buy its shares and then cancel them for the purpose of reducing the capital.

13-21 Shareholders Assemblies Resolutions

The resolutions of the Ordinary General Assembly shall be issued by an absolute majority of the shares represented therein. However, if these resolutions relate to the provision of special benefits, it is required to have the majority of the subscribed Shareholders, which is two third of the said shares after eliminating the votes of the shares that represent the beneficiaries from the special benefits. Those shall not have an opinion in these decisions, even if they are holders of cash shares. Resolutions of the Extraordinary General Assembly shall be issued by a two-thirds majority of the shares represented at the meeting unless the decision relates to the increase or reduction of the Share Capital, the prolongation of the Company's term or the dissolution of the Company before the period specified in its By-Laws or merger with another company or firm. The resolution shall be valid only if it is adopted by a three-fourths majority of the shares represented at the meeting.

13-22 Shareholders Assemblies Resolutions:

Every shareholder shall have the right to discuss the issues on the agenda of the Assembly and to ask questions thereon to the members of the Board of Directors and the Auditor. Any provision in the Company's By-Laws that deprives the shareholder of this right shall be null and void. The Board of Directors or Auditor shall answer the Shareholders' questions to the extent that they do not expose the Company's interest to damage. If the Shareholder considers that the answer to his question is unconvincing, he shall revert to the Assembly and its decision in this regard shall take effect.

13-23 Insurance Transactions Accounts

The accounts of the insurance operation shall independent of the shareholders' income statement, as follows:

First: Accounts of insurance operations

- 1- There shall be a separate account for earned premiums, reinsurance commissions and other commissions
- 2- There shall be a separate account for the compensations incurred by the Company
- 3- The total surplus shall be determined at the end of every year, which represents the difference between the total premiums and the compensations, minus the marketing, administrative, operating expenses and the required technical provisions as per the regulatory instructions.
- 4- The net surplus shall be determined as follows: Added to the gross surplus mentioned in paragraph (3) above, or deducted from it for the insured from the investment income after calculating their money from the revenues and deduction of their realized expenses.
- 5- Distribution of the net surplus, either by distributing ten percent (10%) to the insured directly or by reducing their premiums for the following year, and ninety percent (90%) will be transferred to shareholders' account.

Second: Statement of shareholders' income

- 1- The profits of the shareholders shall be from the return on investment of shareholders' funds in accordance with the rules established by the Board of Directors
- 2- The share of the shareholders shall be from the net surplus according to paragraph 5 of item 1 of this Article.

13-24 Zakat and Provision

The Company shall:

- 1- Set aside the determined Zakat and Income Tax.
- 2- Set aside 20% of the net profits to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the 100% of the paid-up capital.

The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be to the extent that it serves the interests of the Company or ensures the distribution of fixed profits as much as possible to the shareholders.

13-25 Eligibility for Profits

Article 46 of the Company By-Laws stipulates that the shareholder shall be entitled to his share of the profits in accordance with the General Assembly resolution issued in this respect. The decision shall specify the date of eligibility and distribution dates. The entitlement to profits shall be to the Shareholders registered in the Shareholders' registers at the end of the day specified for the eligibility. The Company shall notify the Capital Market Authority without delay of any decision to distribute profits or recommending it. The profits to be distributed to the Shareholders shall be paid in the place and the dates determined by the Board of Directors in accordance with the instructions issued by the competent authority, subject to the prior written approval of SAMA.

13-26 Dissolution and Liquidation of the Company

Article 50 of the Company By-Laws stipulates that the Company shall enter into liquidation stage as soon as it expires and shall retain the legal personality necessary to the necessary limit required for liquidation. The voluntarily liquidation decision shall be issued by the Capital Market Authority. The liquidation decision shall include the appointment of the liquidator and its powers and fees and restrictions on its powers and the length of liquidation period which must not exceed a five (5) years, and may not be extended without a court order. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for managing the Company until the liquidator is appointed. The Company's administrative departments shall maintain their powers to the extent that such powers do not interfere with the powers of the liquidators. Shareholders are vested with the right to receive the balance of the Company's assets upon liquidation according to Articles 44 & 45 of the By-Laws.

13-27 Extraordinary General Assembly Terms of Reference

Article 29 of the By-Laws provides that the Extraordinary General Assembly shall be competent to amend the Company By-Laws, except those provisions which are prohibited from being amended, and may issue resolutions in matters falling within the competence of the Ordinary General Assembly under the same conditions and circumstances prescribed for the Ordinary General Assembly.

14. Underwriters

The principal terms of the Underwriting Agreement are set forth below:

- 1- The Company undertakes to the Underwriters that, on the allocation date, it will allocate and issue to the Underwriter all shares that have not been subscribed to by the eligible Shareholders as additional shares at the Offer Price.
- 2- The Underwriters undertake to the Company that they will, on the allocation date, purchase the number of Offer Shares not subscribed for by Eligible Shareholders, at the Offer Price
- 3- The Underwriters will receive a financial consideration against underwriting the Offering which amount shall be paid from the Offering Proceeds

Underwriters

Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital)

King Fahad Road – Al – Aqeeq - Riyadh
P.O. Box 6888, Riyadh 11452
Saudi Arabia
Tel: +966 (11) 2547666
Fax: +966 (11) 4892653
Website: www.icap.com.sa
Email: info@icap.com.sa



Wasata Capital Company (Wasata Capital)

Riyadh - Olaya Road
P.O. Box 50315, Riyadh 11523
Saudi Arabia
Tel: +966 (11) 4944067
Fax: +966 (11) 4944205
Website: www.wasatah.com.sa
Email: info@wasatah.com.sa



15. Offering Expenses

Total expected value of the Offering stands at three hundred and eighty million Saudi Riyals (SAR 380,000,000), of which about ten million Saudi Riyals (SAR 10,000,000), will be paid as costs and expenses of the Rights Offering, which include the fees of Financial Advisor, Legal Advisor, Lead manager, Underwriter, as well as the expenses arising from advertisement, etc. and other associated Offering expenses. The net value of the Offering will amount three hundred and seventy million Saudi Riyals (SAR 370,000,000),

16. Waivers

The Company has not submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

17. Offering Terms and Conditions

The Company has applied to the Capital Market Authority to register and admit the New Shares and all the requirements have been met under the registration and listing rules.

All Eligible Shareholders and holders acquired Rights must read the Subscription Terms and Conditions carefully before the electronic subscription, submit the Subscription Application through the Broker or fill in the Rump Offering Application Form. The submission of the Subscription Application or the signing and delivery of the Rump Offering Subscription Application Form constitutes acceptance of the mentioned terms and conditions.

17-1 The Offering

The Offering is an increase in the Company's Share Capital by three hundred and eighty million (SAR 380,000,000) divided into thirty eight million (38,000,000) ordinary shares at a nominal value of ten Saudi Riyals (SAR 10) per share and at an Offer Price of ten Saudi Riyals (SAR 10) per share.

17-2 How to Apply for Subscription to the Rights (New Shares)

The Registered Shareholders and those wishing to subscribe to the Rights shall submit the Subscription Application during the Subscription Period through the Investment Portfolio on the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the Broker and Custodian of Shares in the Kingdom during Subscription period. In the event of a Rump Offering period, it may also apply for subscription to any remaining shares by the institutional investors only.

By completing and delivering the Subscription Application Form, the Subscriber:

- agrees to subscribe to the Company's Shares in the number of such Shares specified in the Subscription Application Form;
- he/she has read the Prospectus and understood all of its contents;
- agrees on the Company Bylaws and all subscription instructions and terms mentioned in the Prospectus;
- he/she has not previously subscribed to the Shares with the Agent and that the Company has the right to reject all duplicate applications;
- He/she will the number of Shares allocated to him/her and all other Subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agents.

17-3 Subscription Application Form

The Eligible Person who wishes to exercise his full right and subscribe to all the Rights to which he is entitled shall subscribe through the investment portfolio on the trading platforms through which the sell and purchase orders are entered or through any other means provided by the broker and custodian.

The number of shares to which the Eligible Person is entitled to subscribe for shall be calculated according to the number of Rights he owns. The Subscription Amount to be paid by the Subscriber shall be calculated by multiplying the number of Rights existing before the end of the subscription period by SR10.

17-4 Trading and Offering Period and Rump Offering Period

The Eligible Shareholders wishing to subscribe to the Rights shall submit the Subscription Application during the subscription period, which begins on Monday 19/01/1439H (corresponding to 09/10/2017G) and ends on Thursday 29/01/1439H (corresponding to 29/10/2017G).

The Extraordinary General Assembly held on 08/01/1439H (corresponding to 28/09/2017G) approved the recommendation of the Board of Directors to increase the Company's share capital through the issue of Rights. Under this prospectus, eighty million Saudi Riyals (SAR 380,000,000) million Ordinary Shares will be offered at a nominal value of SAR 10 per share, with a total value of three hundred and eighty million Saudi Riyals (SAR 380,000,000). The new shares will be issued with one share for every one Right. Subscription for the Rights will be to shareholders registered in the Company's shareholders' register at the end of the trading day of the Extraordinary General Meeting (Eligibility Date 08/01/1439H (corresponding to 28/09/2017G) and to those Eligible Persons who purchased Rights during the Rights trading period including registered shareholders who have purchased additional Rights alongside the rights they already own.

If Eligible Persons have not exercised Rights by the end of the subscription period, the remaining shares resulting from the non-exercise or sale of those rights will be offered to investment institutions by offering them in Rump Offering period.

Registered Shareholders will be able to trade the Rights deposited in their portfolios through the Saudi Stock Exchange (Tadawul). These rights are considered to be the acquired right of all shareholders registered in the Company's records at the end of the Extraordinary General Meeting (Eligibility Date). Every Right gives its holder the right to exercise the subscription of one new share, at the Offering Price. Rights will be deposited after the Assembly. Rights will appear in the registered shareholders' portfolios under a new Rights code. The Registered Shareholders will then be notified of the deposit of rights in their portfolios.

The schedule for the sequence and details of the Rights issue process will be as follows:

- 1- Eligibility Date: The end of trading on the day of the Extraordinary General Meeting Thursday on 08/01/1439H (corresponding to 28/09/2017G)
- 2- The trading and subscription phase: The trading and subscription phase starts on Monday 19/02/1439H (corresponding to 09/10/2017G) and the trading period ends on Monday 26/01/1439H (corresponding to 16/10/2017G) and the subscription period shall continue until the end of Thursday 29/01/1439H (corresponding to 19/10/2017G).
- 3- The Rump Offering Period: This period will start at 10:00 AM on Tuesday 04/02/1439H (corresponding to 24/10/2017G) until the following day at 10:00 AM on 05/10/1439H (corresponding to 25/10/2017G). During this period, the remaining shares will be offered to a number of institutional investors (referred to as "Investment Institutions"), Provided that such investment institutions make offers to buy the remaining shares. The Rump Shares will be allocated to the Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The subscription price of the new share not subscribed to in this period will be at the minimum Offering Price. If the price of unsubscribed shares is higher than the Offering Price, the difference (if any) shall be distributed as compensation to the Rights holders who have not subscribed to their rights proportional to the Rights they held.
- 4- Final Allocation of Shares: The Rights shall be allocated to Eligible Persons based on the number of Rights they have exercised in a complete and correct manner. As for the fractions of shares, such fractions will be summed and offered to investment institutions during the Rump Offering period. The total price of the Rump Shares will be paid to the Company. The rest of the proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the eligible Persons not later than 27/02/1439H (corresponding to 16/11/2017G). If shares remain unsubscribed for, then the Undertakers will purchase the remaining new shares and they will be allocated to them.
- 5- Trading of new shares in the Exchange: Trading of the offered shares on Tadawul system will commence upon the completion of all procedures related to the registration and allocation of the offered shares.

The Company has applied to the Capital Market Authority to register and accept the listing of new shares and to admit listing in the Exchange. An application will be submitted to CMA for trading new shares after the Offering is completed.

17-5 Allocation and Refund

The Company and the Lead Manager will open an Escrow Account in which the proceeds will be deposited.

The Rights shall be allocated to Eligible Persons based on the number of Rights they have exercised in a complete and correct manner. As for the fractions of shares, such fractions will be summed and offered to investment institutions during the Rump Offering period. The total price of the Rump Shares will be paid to the Company. The rest of the proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the eligible Persons not later than 27/02/1439H (corresponding to 16/11/2017G). If shares remain unsubscribed for, then the Undertakers will purchase the remaining new shares and they will be allocated to them.

The final number of shares allocated to each Eligible Person is expected to be announced without any commissions or deductions by the Lead Manager and will be credited to the accounts of the subscribers. Eligible Persons must contact the Agent through which the application is submitted for additional information. The results of the allocation will be announced no later than 13/02/1439H (corresponding to 02/11/2017G).

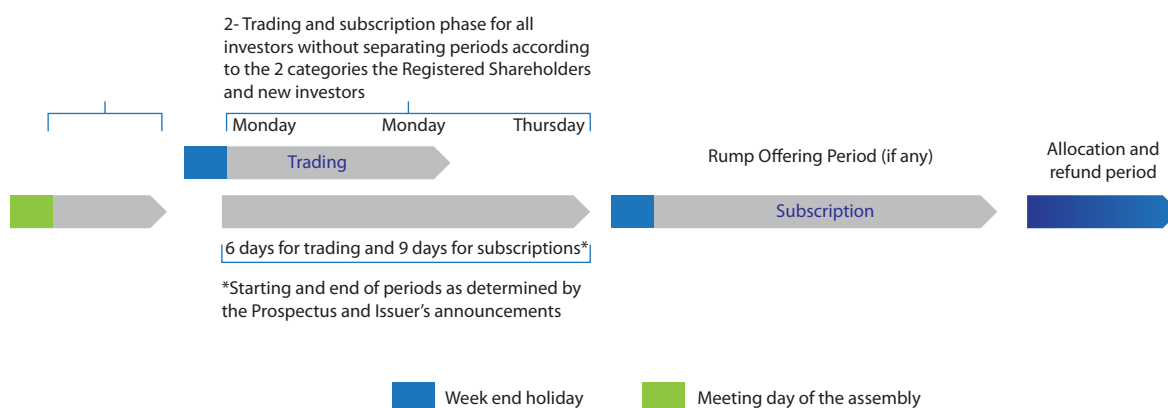
Compensation shall be paid to Eligible Persons who have not fully or partly participated in the subscription to Rights shares (if any) without any deductions no later than 27/02/1439H (corresponding to 16/11/2017G).

Although CMA has adopted this Prospectus, it may suspend this Offering if the Company realizes at any time after the adoption of this Prospectus by CMA and before the admitting and listing of the Shares in the Exchange as:

- An important change has occurred in any of the basic information contained in this Prospectus or any of the documents to be included under the Registration and Listing Rules.
- Any additional issues that should have been included in this Prospectus

In both cases above, the Company shall submit a supplementary prospectus to CMA in accordance with the requirements of the Registration and Listing Rules. The Supplementary Prospectus shall then be published and the announcement of the Subscription Dates thereof. It may also be suspended if the Extraordinary General Assembly does not approve the details of the Offering.

Illustrative diagram for the revised mechanism for trading in and subscribing to traded Rights



17-6 Questions and answers on the developed mechanism for traded Rights

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for offered New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Depository as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

Following the Extraordinary General Meeting and its approval to increase the capital through a rights issue, the Rights shall be deposited as securities in the Company's shareholders' portfolios at the at the Securities Depository Center by the end of the second trading day after the Extraordinary General Meeting. The New Rights appear in their portfolios under a new code for the Rights. Such Rights will be allowed to be traded or subscribed only at the beginning of the Trading and Subscription periods.

How are Investors in the Rights notified of the Rights being deposited in their portfolios?

Investors are notified through an announcement on the Tadawul website and through Tadawulati Service and SMS's sent through intermediaries age companies.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder in the Company's Shareholders Register at the Depository as at the close of trading on the date of the EGM.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she already owned on the date of the EGM. If a company, for example, has issued 1,000 shares and increases its capital by offering 500 new shares, its number of shares becomes 1,500. Then, the eligibility ratio is 1 to 2 (one new share for every two existing shares).

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon the trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price (Indicative Value of the Right). For example, if the closing price of a share on the preceding day is SAR 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR

25 (twenty-five Saudi Riyals).

Who is the Registered Shareholder?

Any Shareholder whose name appear in the Company's Shareholders' Register at the end of the trading session on the EGM date.

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period.

Is it possible for an Registered Shareholders to lose his/her eligibility s to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on raising the capital through a rights issue?

Yes, the Shareholder loses his eligibility to subscribe if he sells his shares on the day of the Extraordinary General Meeting or one working day before it.

How does the Offering take place?

Subscription Applications are submitted through the investment portfolio in the trading platforms through which the buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the intermediaries and custodian.

Can Shareholders subscribe more than once through more than one intermediaries?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b)), then the total Rights which will be deposited (1000) Rights as each shares is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe, but after depositing certificates in investment portfolios through intermediaries or Depository Center in Tadawul before the end of the subscription stage, and introducing the necessary documents. If they do not deposit the certificates, the holders of these certificates will not be able to subscribe to the Offered Rights.

Are additional Rights purchasers entitled to trade them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

When the subscriber can subscribe for the Rights he purchased during trading period?

After settlement of the purchase of Rights (two working days).

Can the Eligible Person sell or assign the Right after expiry of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period and the Offering Periods?

If the new shares are not fully subscribed for during the Offering Period, the remaining new shares will be offered for subscription through an offering to be organized by the Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription value and any expenses according to the criteria defined by this Prospectus. The investor may not receive any consideration if the sale occurs in the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

The shareholder who is registered in the Issuer's Shareholders' register at the Depository Center after the end of the trading session on the EGM day shall have the right to attend the EGM and vote on increasing the Issuer's Share Capital through a rights issue.

When is the share price adjusted as a result of increasing the Issuer's Share Capital through a rights issue?

The share price is adjusted by the Exchange before the start of trading on the day following the EGM.

If an investor buys securities on the EGM day, will he be eligible for the Rights resulting from the increase of the Issuer's Capital?

Yes, as the security will be recorded in the security's register on the completion of settlement of the securities transactions two working days after the date of the Extraordinary General Meeting. However, he shall not be entitled to attend or vote in the EGM.

If an investor has more than one portfolio with more than one Brokerage Company, how will his Rights be calculated?

The investor's shares will be distributed to the portfolios owned by the him/her, according to the percentage of ownership in each portfolio. In the event of share fractions, these fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest amount of rights.

What is Trading and Subscription (Offering) period?

Trading and Subscription to the Rights shall commence at the same time until the end of trading on the sixth day, while Subscription shall continue until the ninth day, as stated in the Prospectus and the Company's issued announcements.

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the EGM subscribe for the Rights?

Unrestricted Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

17-7 Resolutions and Approvals under which shares are offered

The Company has obtained SAMA's final approval under letter No. (381000036835) dated 04/04/1438H (corresponding to 02/01/2017) to increase its share capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000) to reach five hundred million Saudi Riyals (SAR 500,000,000)

The Board of Directors of the Company recommended on 15/14/1438H (corresponding to 14/12/2106G) to increase the Company's capital by three hundred and eighty million Saudi Riyals (SAR 380,000,000) from the current capital of one hundred and twenty million Saudi Riyals (SAR 120,000,000) after obtaining the necessary regulatory approvals to increase the Company's Share Capital by issuance of thirty eight million (38,000,000) Rights at an offer price of ten Saudi Riyals (SAR 10) per Share.

The Extraordinary General Assembly approved the Board's recommendation on 08/01/1439H (corresponding to 28/09/2017G), to increase the share capital as mentioned above. The increase will be restricted to Eligible Shareholders registered at the close of trading on the day of the Extraordinary General Assembly.

This Prospectus and all the supporting documents requested by the CMA have been approved on the day of announcement on CMA's website on 08/01/1439H (corresponding to 28/09/2017G).

17-8 Miscellaneous Terms

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be issued in the Arabic and English languages and in case of contradiction between the Arabic and English texts, the Arabic text of the Prospectus shall prevail.

17-9 Statement on any existing arrangements to prevent the disposal of certain shares

There are no existing arrangements to prevent the disposal of certain shares.

18. Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the Extraordinary General Assembly was SAR 19.7 and it is expected to reach SAR 12.3 in the opening session the next day. The change represents a decrease of 37.6%.

The method of calculating the Share Price as a result of the capital increase is:

First: Calculation of the market value of the Company at the close of trading on the day of the Extraordinary General Assembly:

- Number of shares at the end of the day of the Extraordinary General Assembly multiplied by the closing price for the Company's share on the day of the Extraordinary General Assembly = market value of the Company at the close of trade on the day of the Extraordinary General Assembly.

Second: Calculation of the Share Price in the opening session on the day following the day of the Extraordinary General Assembly:

- $$\frac{\text{(The market value of the Company at the close of the day of the Extraordinary General Assembly + the value of the offered shares)}}{\text{(the number of shares at the end of the day of the Extraordinary General Assembly + the number of New Shares offered in the Offering)}} = \text{share price reset for the opening session on the day following the day of the Extraordinary General Assembly.}$$

19. Rump Offering

In the event that any Shares remain unsubscribed for (the “Rump Shares”), they will be offered to a number of institutional investors (referred to as “Institutional Investors”), provided that such Institutional Investors submit offers to purchase the Remaining Shares as well as the Share fractions. Receipt of such offers will start at 10:00 AM Tuesday on 04/01/1439H (corresponding to 24/10/2017G), until the following day at 10:00 AM on 05/02/1439H (corresponding to 25/10/2017G). This offering will be referred to as the (“Rump Offering”). The Rump Shares will be allocated to the Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price.

Share fractions will be added and offered to institutional investors during the Rump Offering. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than 27/02/1439H (corresponding to 16/11/2017G).

Trading of the offered shares on Tadawul is expected to commence upon completion of all procedures related to the listing and allocation of shares.

The Company has filed an application to register and accept the listing of New Shares on the Exchange and will apply to allow trading of the New Shares on the Exchange after completion of the Offering.

20. Covenants Relating to Subscription

20-1 Allocation Processes

The Rights shall be allocated to Eligible Persons based on the number of Rights they have exercised in a complete and correct manner. As for the fractions of shares, such fractions will be summed and offered to investment institutions during the Rump Offering period. The total price of the Rump Shares will be paid to the Company. The rest of the proceeds from the sale of the remaining shares and fractions of shares (exceeding the Offering Price) shall be distributed to the eligible Persons not later than Thursday 27/02/1439H (corresponding to 16/11/2017G). If shares remain unsubscribed for, then the Undertakers will purchase the remaining new shares and they will be allocated to them.

Eligible Persons must contact the branch of the agent through which the application was submitted for additional information. The results of the allocation will be announced no later than Wednesday 13/02/1439H (corresponding to 02/11/2017G).

20-2 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m., from Sunday to Thursday of each week, during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m. Outside these times, orders can be entered, modified and canceled from 9:30 am to 10 am

Exchange times change in the holy month of Ramadan and such times are announced via Tadawul. Transactions are conducted through an automatic matching of orders. Each valid order shall be executed according to the price level. In general, market orders (orders made based on the best price) will be executed first, followed by the fixed price orders (orders made based on a fixed price), taking into consideration cases in which multiple orders are made for the same price and shall be executed first based on the time of entry.

The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet and the electronic link to Tadawul's information, which provides up-to-date market information for information providers such as Reuters. Transactions are automatically settled within two business days (T + 2).

The Company must disclose all decisions, material and important information through Tadawul, which is responsible for monitoring the market in its capacity as the operator of the mechanism through which the market works in order to ensure the fairness and easy flow of share exchange.

20-3 Trading of the Company Shares on the Saudi Stock Exchange

An Application has been submitted to CMA to register and list the Rights in the Saudi Stock Exchange. This Prospectus has been approved and all requirements have been met.

Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative and may be changed with the approval of CMA.

Although the existing shares are listed on the Saudi Stock Exchange and the Company's Shares are listed on Tadawul, the new shares can only be traded after the final allotment of shares has been made and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.

21. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Riyadh City, during official working hours, 20 days before the Offering Period and throughout the Offering Period, except for the Extra-Ordinary General Assembly's resolution improving to increase the Share Capital of the Company:

Documents relating to Incorporation / Company By-Laws:

- 1- Commercial Registration certificate of the Company.
- 2- Company By-Laws of;

Approvals relating to Offering of Shares;

- 1- Recommendation of the Board of Directors regarding capital increase
- 2- SAMA's approval of the Company's Share Capital increase
- 3- CMA's approval of the Company's Share Capital increase through Rights Issue Offering;
- 4- Resolution of the EGM approving the Company's Share Capital increase.

Reports, letters and documents:

- 1- Material contracts and agreements that have been disclosed in this Prospectus.
- 2- Contracts to be disclosed under subsection 1 (i) of Section 13 of Annex IV to the Listing Rules.
- 3- Written consents by the Financial Advisor, the Underwriters, the underwriter, the Financial Due Diligence Advisor, the Legal Advisor and the Auditors to use their names and logos and reports in the prospectus
- 4- Market reports used in the preparation of Market and Sector section in the prospectus.

Financial Statements

- 1- Audited financial statements for the years ending 31 December 2014G, 2015G, and 2016G and the Auditor's report on them.

22. Accountant's Report

22-1 (Annex-1) Audited Financial Statements for the years ended 31 December 2015 and 2016G

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

INDEX	PAGE
Independent auditors' report	1-2
Statement of financial position	3 – 4
Statement of income - insurance operations	5
Statement of comprehensive income - insurance operations	6
Statement of comprehensive income - shareholders' operations	7
Statement of changes in shareholders' equity	8
Statement of cash flows - insurance operations	9
Statement of cash flows - shareholders' operations	10
Notes to the financial statements	11 - 47



International
Accountants
المحاسبون الدوليون

An Independent Member of IFLB International



Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the shareholders of Malath Cooperative Insurance & Reinsurance Company

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Malath Cooperative Insurance & Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at December 31, 2016, and the related statement of income – insurance operations, statement of comprehensive income – insurance operations and statement of comprehensive income – shareholders' operations, statement of changes in shareholders' equity and statements of cash flows for insurance and shareholders' operations for the year then ended and notes 1 to 27 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 126 of the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF MATTERS:

We draw attention to the following matters:

- As stated in note 2 to the financial statements, solvency margins have declined below regulatory levels prescribed by Saudi Arabian Monetary Authority ('SAMA'). The accumulated loss has reached 71% of the share capital as at December 31, 2016. The management believes the Company will be able to comply with SAMA's solvency requirements through the issue of rights shares. Management is also of the opinion that the Company has a profitable future. Accordingly, these financial statements are prepared on going concern basis;



**International
Accountants**
المحاسبون الدوليون

An Independent Member of  International



Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

EMPHASIS OF MATTERS (Continued):

- b) We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

International Accountants

P O Box 18025
Riyadh 11415
Kingdom of Saudi Arabia

Khalid Ali Ibrahim Otain
Certified Public Accountant
Registration No. 373



Dr. Mohamed Al Amri & Co

P O Box 8736
Riyadh 114926
Kingdom of Saudi Arabia

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



March 1, 2017 G
Jumada II' 02, 1438 H

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>Notes</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	807,533	538,794
Short term Murabaha deposits	6	75,000	235,766
Available for sale investments	7	5,346	36,869
Receivables, net	8	158,624	263,678
Reinsurers' share of unearned premiums	9	118,149	188,724
Reinsurers' share of outstanding claims	9,12	163,740	264,567
Deferred policy acquisition costs	9	47,947	47,127
Prepaid expenses and other assets	13	22,819	18,462
Property and equipment, net	14	7,402	6,676
Due from shareholders' operations		143,863	8,397
TOTAL INSURANCE OPERATIONS' ASSETS		1,550,423	1,609,060
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	151,498	80,324
Available for sale investments	7	72,834	174,907
Statutory deposit	15	45,000	30,000
Investment return on statutory deposit	15	3,446	-
Prepaid expenses and other assets		1,249	1,078
TOTAL SHAREHOLDERS'ASSETS		274,027	286,309
TOTAL ASSETS		1,824,450	1,895,369

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (continued)
AS AT DECEMBER 31, 2016

	<u>Notes</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Reinsurers' balances payable		42,122	180,203
Gross unearned premiums	9	482,163	475,888
Unearned reinsurance commission	9	23,614	33,959
Gross outstanding claims and reserves	9, 10	654,040	732,896
Claims payable, accrued expenses and other liabilities	16	339,586	175,944
Surplus distribution payable		8,301	8,301
Assets mismatch reserve		2,005	-
TOTAL INSURANCE OPERATIONS' LIABILITIES		1,551,831	1,607,191
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS			
Fair value reserve for available for sale investments	7	346	1,869
Re-measurement losses on defined benefit plans		(1,754)	-
TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS		(1,408)	1,869
TOTAL INSURANCE OPERATIONS' LIABILITIES AND (DEFICIT) / SURPLUS		1,550,423	1,609,060
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat provision	17	20,307	18,923
Accrued expenses and other liabilities	16	586	555
Investment return on statutory deposit	15	3,446	-
Assets mismatch reserve		16,466	-
Due to insurance operations		143,863	8,397
TOTAL SHAREHOLDERS' LIABILITIES		184,668	27,875
SHAREHOLDERS' EQUITY			
Share capital	18	300,000	300,000
Statutory reserve	18	2,131	2,131
Accumulated loss		(213,080)	(56,906)
Fair value reserve for available for sale investments	7	308	13,209
TOTAL SHAREHOLDERS' EQUITY		89,359	258,434
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		274,027	286,309
TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY		1,824,450	1,895,369

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME - INSURANCE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Note</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
REVENUES			
Gross written premiums		2,167,856	1,863,478
Less: Reinsurance ceded premiums		(667,164)	(339,695)
Net written premiums	9	1,500,692	1,523,783
Changes in unearned premiums - net		(76,850)	197,491
Net earned premiums	9	1,423,842	1,721,274
Reinsurance commission	9	415,332	56,482
Investment income	11	17,571	5,300
Other income		11,527	10,066
TOTAL REVENUES		1,868,272	1,793,122
COSTS AND EXPENSES			
Gross claims paid	9	1,955,189	1,444,794
Less: Reinsurance share of claims paid	9	(353,885)	(62,084)
Net claims paid	9	1,601,304	1,382,710
Changes in outstanding claims and reserves		21,970	102,760
Net incurred claims	9	1,623,274	1,485,470
Policy acquisition costs	9	217,666	171,927
Excess of loss expenses		38,750	27,211
Assets mismatch reserve		2,005	-
Operating and administrative salaries	19	78,560	72,006
Other general and administrative expenses	20	51,880	44,905
TOTAL COSTS AND EXPENSES		2,012,135	1,801,519
Deficit from insurance operations		(143,863)	(8,397)
Shareholders' appropriation from deficit	2	143,863	8,397
NET RESULT FOR THE YEAR		-	-

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Note</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
Net result for the year		-	-
Other comprehensive income to be reclassified to statement of income in subsequent years			
Net change in fair value reserve for available for sale investments	7 (i)(b)	(1,523)	1,566
Other comprehensive income not to be reclassified to statement of income in subsequent periods			
Re-measurement losses on defined benefit plans		(1,754)	-
Total comprehensive (loss) / income for the year		<u>(3,277)</u>	<u>1,566</u>

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 SR'000	2015 SR'000
Deficit transferred from insurance operations	2	(143,863)	(8,397)
Investment income	11	11,670	7,974
Assets mismatch reserve		(16,466)	-
General and administrative expenses		(1,515)	(1,460)
Loss before zakat		(150,174)	(1,883)
Provision for zakat	17	(6,000)	(8,000)
Net loss for the year		(156,174)	(9,883)
Other comprehensive income to be reclassified to statement of income in subsequent years			
Change in fair value reserve for available for sale investments		(6,441)	(4,487)
Realized gain on sale of available for sale investments	7 (ii) (b)	(6,460)	(3,415)
		(12,901)	(7,902)
Total comprehensive loss for the year		(169,075)	(17,785)
Basic and diluted loss per share before zakat (in SR)	21	(5.006)	(0.063)
Basic and diluted loss per share after zakat (in SR)	21	(5.206)	(0.329)
Weighted average number of shares in issue throughout the year (in thousands)		30,000	30,000

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Share capital	Statutory reserve	Accumulated deficit SR'000	Fair value reserve for available for sale investments	Total
Balance at January 1, 2015	300,000	2,131	(47,023)	21,111	276,219
Net loss for the year	-	-	(9,883)	-	(9,883)
Change in fair value reserve for available for sale investments	-	-	-	(4,487)	(4,487)
Realized gain on sale of available for sale investments	-	-	-	(3,415)	(3,415)
Total comprehensive loss for the year	-	-	(9,883)	(7,902)	(17,785)
Balance at December 31, 2015	300,000	2,131	(56,906)	13,209	258,434
Balance at January 1, 2016	300,000	2,131	(56,906)	13,209	258,434
Net loss for the year	-	-	(156,174)	-	(156,174)
Change in fair value reserve for available for sale investments	-	-	-	(6,441)	(6,441)
Realized gain on sale of available for sale investments	-	-	-	(6,460)	(6,460)
Total comprehensive loss for the year	-	-	(156,174)	(12,901)	(169,075)
Balance at December 31, 2016	300,000	2,131	(213,080)	308	89,359

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016

	2016	2015
Note	SR' 000	
Cash flows from operating activities		
Net result for the year	-	-
<i>Adjustments for:</i>		
Depreciation expense	2,627	2,981
Loss on sale of available for sale investments	1,184	-
Provision for doubtful receivables	7,400	1,000
Shareholders' appropriation from deficit	(143,863)	(8,397)
	(132,652)	(4,416)
<i>Changes in operating assets and liabilities:</i>		
Receivables	97,654	192,958
Reinsurers' share of unearned premiums	70,575	(128,796)
Reinsurers' share of outstanding claims and reserves	100,827	213,500
Deferred policy acquisition costs	(820)	(3,390)
Prepaid expenses and other assets	(4,357)	(2,051)
Reinsurers' balances payable	(138,081)	142,513
Unearned premiums	6,275	(68,695)
Unearned reinsurance commission	(10,345)	16,994
Outstanding claims and reserves	(78,856)	(110,739)
Claims payable, accrued expenses and other liabilities	161,888	(2,675)
Assets mismatch reserve	2,005	-
Due from shareholders' operations	8,397	23,095
Net cash generated from operating activities	82,510	268,298
Cash flows from investing activities		
Additions to property and equipment, net	(3,353)	(1,613)
Proceeds from sale of available for sale investments	28,816	-
Short term Murabaha deposits, net	160,766	(185,145)
Net cash generated from / (used in) investing activities	186,229	(186,758)
Net change in cash and cash equivalents	268,739	81,540
Cash and cash equivalents, beginning of the year	538,794	457,254
Cash and cash equivalents, end of the year	807,533	538,794
Non-cash supplemental information:		
Re-measurement losses on defined benefit plans	1,754	-
Change in fair value of available for sale investments	1,523	1,566
Transfer from capital work in progress to leasehold improvements	-	(171)

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016

		2016	2015
	Note	SR' 000	
Cash flows from operating activities			
Loss before zakat		(150,174)	(1,883)
<i>Adjustments for:</i>			
Impairment on available for sale investments		517	-
Gain on sale of available for sale investments		(6,460)	(3,415)
Shareholders' appropriation from deficit of insurance operations		143,863	8,397
		(12,254)	3,099
<i>Changes in operating assets and liabilities:</i>			
Accrued commission receivable		-	(612)
Prepaid expenses and other assets		(171)	-
Accrued expenses and other liabilities		31	-
Assets mismatch reserve		16,466	-
Due to insurance operations		(8,397)	(23,095)
Zakat paid		(4,616)	(6,198)
Net cash used in operating activities		(8,941)	(26,806)
Cash flows from investing activities			
Short-term Murabaha deposits		-	15,000
Statutory deposit		(15,000)	-
Additions to available for sale investments		(1,913)	(20,798)
Proceeds from sale of available for sale investments		97,028	33,410
Net cash generated from investing activities		80,115	27,612
Net change in cash and cash equivalents		71,174	806
Cash and cash equivalents, beginning of the year		80,324	79,518
Cash and cash equivalents, end of the year	5	151,498	80,324
Non-cash supplemental information:			
Change in fair value of available for sale investments		(12,901)	(7,902)
Investment return on statutory deposit		3,446	-

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL

Malath Cooperative Insurance & Reinsurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on Rabi Al-Awal 21, 1428H corresponding to April 9, 2007 under Commercial Registration No. 1010231787. The Company's head office is at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and reinsurance and related services in accordance with its Articles of Association and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, the provisions of Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws.

As at 31 December 2016, the Company's solvency margin is below 25% and as per article sixty-eight of implementing regulations Saudi Arabian Monetary Authority "SAMA" could appoint an advisor to the Company or issue a cease and desist order to the Company and recommend the withdrawal of its license.

The Company is taking corrective actions to comply with article 150 of the new companies law and also received SAMA letter 381000049776 dated 06 February 2017 to take corrective actions not later than 05 March 2017. The Company received SAMA approval through letter 381000028557 dated 12 December 2016 to reduce the share capital by SR 180 million subject to remaining regulatory approvals and shareholders through general assembly.

Considering the future business prospects and improvement in prospective operating results, Management believes that the Company expects profitable growth in future, based on retention of key corporate customers, more cross-selling of profitable lines and by underwriting management through regular rate reviews for new and renewed business in key lines.

Management believes that business growth can be achieved by maintaining high level of service quality as a differentiator. The effective long term cost cutting strategy based on claims management, prudent reinsurance arrangements, improved collection of outstanding receivables and investment strategy review will result in profitability.

The board confirms its commitment to business continuation, and recommended raise in capital amounting to SR 380 million through right issue subject to approval of regulators and shareholders through general assembly to support business growth and to meet solvency requirements. The Company has received SAMA's approval in this regard on 2 January 2017. Accordingly, these financial statements are prepared on going concern basis.

As at 31 December 2016 underwriting of new motor business was under suspension based on SAMA's letter 381000022825 dated 28 November 2016, however SAMA revoked its suspension through letter 381000041057 dated 11 January 2017.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance and Shareholders' operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

In accordance with Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus to be transferred to shareholders' operations. Any deficiency arising on insurance operations is transferred to shareholders' operations in full.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

2. BASIS OF PREPARATION (Continued)

Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.

Functional and presentation currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company. All financial information presented in Saudi Riyals have been rounded to the nearest thousands, except otherwise indicated.

Fiscal year

The Company follows a fiscal year ending December 31.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS:

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements as of and for the year ended December 31, 2015, except for the adoption of new standards, amendments and revisions to existing standards mentioned below which are applicable for the annual periods beginning on or after January 1, 2016 and had no significant financial impact on the financial statements of the Company:

-IFRS 14 – “Regulatory Deferral Accounts” allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers.

-Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates” address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value.
- Only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

-Amendments to IFRS 11 – “Joint Arrangements” require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business to,

- apply all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11.
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation, in the later case, previously held interests are not remeasured if the joint operator retains joint control.

- Amendments in IAS 1 – ‘Presentation of Financial Statements’ to address perceived impediments to preparers exercising their judgments in presenting the financial reports.

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss, other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (Continued)

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

'- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets” restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

'- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture” change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41.

Standards issued but not yet effective

The following new or amended standards are not expected to have significant impact on the financial statements and the Company has chosen not to early adopt the following standards:

- IFRS 9 – Financial instruments (effective on or after January 1, 2018)
- IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)
- IFRS 16 – Leases (effective on or after January 1, 2019)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below

Cash and cash equivalents

Cash and cash equivalents comprise of bank current accounts and short term Murabaha deposits with an original maturity of three months or less at the date of acquisition.

Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of the existence of insurance risk. This insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

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 year.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amount as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- for financial assets at fair value, the impairment loss is based on the decline in fair value; and
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For presentation purposes, the resulting allowance is carried in the respective category within the statement of financial position and the related statements of income - insurance operations or statement of comprehensive income - shareholders' operations are adjusted.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and uncollectibility of financial assets (continued)

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the event can be related objectively to an event occurring after the impairment was recognized then the previously recognized impairment loss is reversed through profit or loss.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes 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 flows 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.

Impairment of non-financial assets

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Deferred policy acquisition costs

Direct and indirect costs incurred during the financial year arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a pro-rata basis based on the term of expected future premiums, except for marine cargo where the deferred portion shall be the cost incurred during the last quarter. Amortization is recorded in the statement of income insurance operations.

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 amortization 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 values an impairment loss is recognized in the statement of income insurance operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognized when the related contracts are either settled or disposed of.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell assets acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available for sale investments

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position, statement of comprehensive income-insurance operations and shareholders' comprehensive income.

Realized gains or losses on sale of these investments are reported in the related statements of income - insurance operations or shareholders' comprehensive income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income - insurance operations or statement of shareholders' comprehensive income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the related statements of income - insurance operations or statement of comprehensive income - shareholders' operations as impairment charges.

Fair values of 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. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of income as incurred. The cost of Property and equipment, net is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	Percentage
Leasehold improvements	20%
Computer hardware	25%
Computer software	10%
Furniture and fixtures	10%
Office equipment	20%-25%
Motor vehicles	25%

An item of property and equipment, net and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income of insurance operations when the asset is derecognized.

Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and 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 amount of the obligation. A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount has been reliably estimated.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (continued)

date are translated at the exchange rates prevailing at that date. Gains and losses from settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the statement of income - insurance operations or shareholders' comprehensive income.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business 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 recognized as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each financial 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 is recognized in the statement of insurance operations.

Leases

Operating lease payments are recognized as an expense in the statement of income - insurance operations on a straight-line basis over the lease term.

Expense

Expenses are recognized in statements of income - insurance operations and shareholders' comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income - insurance operations and shareholders' comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of income - insurance operations and shareholders' comprehensive income are presented using the nature of expense method.

Receivables

Receivable are non-derivative financial assets with fixed or determinable payments. Receivables arising from insurance contracts are classified in this category. These are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income - insurance operations. Receivable are derecognized when the derecognition criteria for financial assets have been met.

Revenue recognition

Recognition of premium and commission revenue

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:

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

-
- Last three months from the period in respect of marine cargo;
- 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 increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

The Company commenced using the pre-defined calculation for engineering class of business starting 1 January 2014. As only the calculation for deferring the premiums has been amended, this is a change in accounting estimate.

This change in calculation is expected to have minimal impact on the net earned premiums of the Company for future years as the net retention of the Company in respect of engineering business is considered to be minimal by management.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income of insurance operations in the same order that revenue is recognized over the period of risk.

Fee income on insurance contracts

Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

Gross claims consist of benefits and claims paid to policyholders, changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses net of salvage recoveries.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position 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) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following period is included in the statement of income - insurance operations for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

End-of-service benefits

Employees' end-of-service benefits provision is determined using actuarial valuations. The actuary uses Projected Unit Credit (PUC) method. This involves projecting benefits to leaving service, retirement or death allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date. The significant assumptions have been disclosed in Note 16.1.

De-recognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

▪ **De-recognition of financial instruments (continued)**

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income - insurance operations and shareholders' comprehensive income unless required or permitted by any accounting standard or interpretation.

Zakat

The Company is subject to zakat in accordance with the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is accrued and charged to statement of shareholders' comprehensive income.

Segment reporting

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

- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Engineering provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Medical provides coverage for health.
- Others include miscellaneous accident and marine.

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

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

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of insurance operations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

Critical accounting judgments, estimates and assumptions

The preparation of 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.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date are discussed below.

Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

(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 estimating the liability that the Company will ultimately pay for such claims.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred on or before the statement of financial position date. The primary technique adopted by the 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.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

(ii) Impairment of available for sale financial assets

The Company determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. 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. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

(iii) Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms (Refer note 8).

(iv) Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of income - insurance operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income - insurance operations.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) *Going concern*

The Company's management has made an assessment of its liability to continue as a going concern and is satisfied that it has the resources to continue on the business for the foreseeable future. Furthermore, management is not aware

of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

i) Insurance operations:

Insurance operations' cash and cash equivalents comprise of the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Cash in hand	10	85
Bank current accounts	86,499	83,709
Short term Murabaha deposits having original maturities of less than three months	721,024	455,000
	<u>807,533</u>	<u>538,794</u>

ii) Shareholders' operations:

Shareholders' cash and cash equivalents comprise of the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Bank accounts	6,498	324
Short term Murabaha deposits having original maturities of less than three months	145,000	80,000
	<u>151,498</u>	<u>80,324</u>

Bank current accounts and short term Murabaha deposits are placed with counterparties which have at least investment grade credit ratings.

Short term Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The above short term Murabaha deposits are subject to an average commission rate of 2.71% per annum as at December 31, 2016 (December 31, 2015: 1.90% per annum).

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

6. SHORT TERM MURABAHA DEPOSITS

i) Insurance operations:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Short term Murabaha deposits	75,000	235,766

The above short term Murabaha deposits have original maturities period of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 3.18% per annum as at December 31, 2016 (December 31, 2015: 1.70% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the reporting date.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

7. AVAILABLE FOR SALE INVESTMENTS

i) Insurance operations

a) Available for sale investments comprise of the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Quoted		
HSBC - Sukuk portfolio holding	-	20,383
Unquoted		
General Authority of Civil Aviation Sukuk 2 (Maturing October 2023)	-	10,011
NCB Capital- Real Estate Development Fund	5,346	6,475
	<u>5,346</u>	<u>36,869</u>

The accumulated balance of changes in fair value of available for sale investments amounting to SR 0.35 million as at December 31, 2016 (December 31, 2015: SR 1.87 million) is reflected in the statement of financial position as a separate component under insurance operations' surplus.

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. Further, the unquoted sukuk are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

b) Movements in available for sale investments is as follows:

	Quoted securities <u>SR'000</u>	Unquoted securities <u>SR'000</u>	Total <u>SR'000</u>
Balance at December 31, 2015	20,383	16,486	36,869
Proceeds from sale of available for sale investments	(19,120)	(9,696)	(28,816)
Available for sale reserve transferred to statement of income – Insurance Operations	(880)	(304)	(1,184)
Net change in fair value reserve for available for sale investments	(383)	(1,140)	(1,523)
Balance at December 31, 2016	<u>-</u>	<u>5,346</u>	<u>5,346</u>
Balance at December 31, 2014	20,262	15,041	35,303
Net change in fair value reserve for available for sale investments	121	1,445	1,566
Balance at December 31, 2015	<u>20,383</u>	<u>16,486</u>	<u>36,869</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

7. AVAILABLE FOR SALE INVESTMENTS (Continued)

ii) Shareholders' operations:

a) Available for sale investments comprise of the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Quoted		
HSBC - Sukuk portfolio holding	-	25,479
HSBC - Shares portfolio holding	-	22,378
Jadwa discretionary Investment portfolio	-	19,375
Saudi Re-insurance Cooperative Company (Saudi Re) - Shares	603	715
Unquoted		
General Authority of Civil Aviation Sukuk (Maturing January 2022)	30,000	30,032
General Authority of Civil Aviation Sukuk 2 (Maturing October 2023)	5,000	10,011
Derayah Trading Finance Fund	-	27,032
TASNEE Sukuk (Maturing May 2019)	10,000	10,011
NCB Capital-Real Estate Development Fund	10,693	12,951
SEDCO Capital-Real Estate Income Fund 2	14,615	15,000
Najm Company for Insurance Services - Shares	1,923	1,923
Total	<u>72,834</u>	<u>174,907</u>

The balance resulting from the change in fair value of available for sale investments amounting to SR 0.3 million as at December 31, 2016 (December 31, 2015: SR 13.21 million) is reflected under shareholders' equity in the statement of financial position.

b) Movements in available for sale investments is as follows:

	Quoted	Unquoted	Total
	<u>securities</u>	<u>securities</u>	<u>SR'000</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Balance at December 31, 2015	67,947	106,960	174,907
Additions to available for sale investments	1,913	-	1,913
Proceeds from sale of available for sale investments	(64,878)	(32,150)	(97,028)
Available for sale reserve transferred to statement of shareholders comprehensive income	4,311	2,149	6,460
Impairment on available for sale investments	(517)	-	(517)
Net change in fair value reserve for available for sale investments	<u>(8,173)</u>	<u>(4,728)</u>	<u>(12,901)</u>
Balance at December 31, 2016	<u>603</u>	<u>72,231</u>	<u>72,834</u>
Balance at December 31, 2014	75,769	116,237	192,006
Additions to available for sale investments	5,798	15,000	20,798
Proceeds from sale of available for sale investments	(7,510)	(25,900)	(33,410)
Available for sale reserve transferred to statement of shareholders comprehensive income	2,515	900	3,415
Net change in fair value reserve for available for sale investments	<u>(8,625)</u>	<u>723</u>	<u>(7,902)</u>
Balance at December 31, 2015	<u>67,947</u>	<u>106,960</u>	<u>174,907</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

7. AVAILABLE FOR SALE INVESTMENTS (Continued)

c) The analysis of available for sale investments by counter-party is as follows:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Insurance operations		
Government and quasi government	-	13,485
Corporate	5,346	23,384
	<u>5,346</u>	<u>36,869</u>
Shareholders' operations		
Government and quasi government	35,000	44,385
Insurance	603	715
Corporate	37,231	129,807
	<u>72,834</u>	<u>174,907</u>

8. RECEIVABLES, NET

Receivables under insurance operations comprise of due from the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Policyholders	166,421	272,657
Reinsurers	29,915	22,714
Insurance companies	2,884	1,724
Agents and brokers	2,404	2,183
	<u>201,624</u>	<u>299,278</u>
Provision for doubtful receivables	(43,000)	(35,600)
	<u>158,624</u>	<u>263,678</u>

a) The movements in provision for doubtful receivables were as follows:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
At the beginning of the year	35,600	34,600
Charge for the year	7,400	1,000
At the end of the year	<u>43,000</u>	<u>35,600</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

8. RECEIVABLES, NET (Continued)

b) As at December 31, the ageing of receivables is as follows:

SR'000	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired
			Less than 60 days	61-90 days	
2016	<u>201,624</u>	<u>17,801</u>	<u>66,152</u>	<u>33,799</u>	<u>83,872</u>
2015	<u>299,278</u>	<u>57,488</u>	<u>193,882</u>	<u>8,933</u>	<u>38,975</u>

Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within the due date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period.

The five largest non-government customers, including reinsurance receivable, account for 52% of outstanding accounts receivable as at December 31, 2016 (2015: 67%).

**9. MOVEMENTS IN GROSS UNEARNED PREMIUM, UNEARNED REINSURANCE
COMMISSION, OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS**

a) Gross unearned premiums

	2016 SR'000	2015 SR'000
At the beginning of the year	287,164	484,655
Net written premiums	1,500,692	1,523,783
Net earned premiums	<u>(1,423,842)</u>	<u>(1,721,274)</u>
At the end of the year	364,014	287,164
Reinsurers' share of unearned premiums	<u>118,149</u>	<u>188,724</u>
Gross unearned premiums	<u>482,163</u>	<u>475,888</u>

b) Unearned reinsurance commission

	2016 SR'000	2015 SR'000
At the beginning of the year	33,959	16,965
Commission received during the year	404,987	73,476
Commission earned during the year	<u>(415,332)</u>	<u>(56,482)</u>
At the end of the year	<u>23,614</u>	<u>33,959</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

9. MOVEMENTS IN UNEARNED PREMIUM, UNEARNED REINSURANCE COMMISSION, OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS (continued)

c) Outstanding claims

Movement of outstanding claims

	2016			2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000			SR'000		
Outstanding claims	276,079	(220,276)	55,803	477,079	(420,032)	57,047
Incurred but not reported	456,817	(44,291)	412,526	366,557	(58,035)	308,522
Total at the beginning of the year	732,896	(264,567)	468,329	843,636	(478,067)	365,569
Claims paid	(1,955,189)	353,885	(1,601,304)	(1,444,794)	62,084	(1,382,710)
Claims incurred	1,876,333	(253,058)	1,623,274	1,334,054	151,416	1,485,470
Total at the end of the year	654,040	(163,740)	490,300	732,896	(264,567)	468,329

Composition of outstanding claims

	2016			2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000			SR'000		
Outstanding claims	167,780	(150,896)	16,884	276,079	(220,276)	55,803
Incurred but not reported	448,691	(12,844)	435,847	456,817	(44,291)	412,526
Premium deficiency & other reserves	37,569	-	37,569	-	-	-
Total at the end of the year	654,040	(163,740)	490,300	732,896	(264,567)	468,329

d) Deferred policy acquisition costs

	2016	2015
	SR'000	SR'000
At the beginning of the year	47,127	47,737
Incurred during the year	218,486	171,317
Amortized during the year	(217,666)	(171,927)
At the end of the year	47,947	47,127

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

10. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross outstanding claims and reserves for 2016:

Accident year	2013 and earlier	2014	2015 SR'000	2016	Total
Estimate of ultimate claims cost:					
At the end of accident year	2,286,706	1,054,709	1,670,697	1,965,668	1,965,668
One year later	2,266,040	976,761	1,560,835	-	1,560,835
Two years later	2,025,835	984,107	-	-	984,107
Three years later	1,949,531	-	-	-	1,949,531
Current estimate of cumulative claims	1,949,531	984,107	1,560,835	1,965,668	6,460,141
Cumulative payments to date	(1,877,413)	(934,540)	(1,485,749)	(1,508,399)	(5,806,101)
Liability recognized in statement of financial position	72,118	49,567	75,086	457,269	654,040

Gross outstanding claims and reserves for 2015:

Accident year	2012 and earlier	2013	2014 SR'000	2015	Total
Estimate of ultimate claims cost:					
At the end of accident year	1,367,660	919,046	1,054,709	1,670,697	1,670,697
One year later	1,397,877	868,163	976,761	-	976,761
Two years later	1,332,145	693,690	-	-	693,690
Three years later	1,242,660	-	-	-	1,242,660
Current estimate of cumulative claims	1,242,660	693,690	976,761	1,670,697	4,583,808
Cumulative payments to date	(1,183,368)	(586,349)	(875,059)	(1,206,136)	(3,850,912)
Liability recognized in statement of financial position	59,292	107,341	101,702	464,561	732,896

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

10. CLAIMS DEVELOPMENT TABLE (continued)

Net outstanding claims and reserves for 2016:

Accident year	2013 and earlier	2014	2015 SR'000	2016	Total
Estimate of ultimate claims cost:					
At the end of accident year	1,398,618	916,226	1,501,210	1,584,846	1,584,846
One year later	1,412,600	924,001	1,509,402	-	1,509,402
Two years later	1,420,309	931,866	-	-	931,866
Three years later	1,423,732	-	-	-	1,423,732
Current estimate of cumulative claims	1,423,732	931,866	1,509,402	1,584,846	5,449,846
Cumulative payments to date	(1,395,996)	(884,808)	(1,473,729)	(1,205,013)	(4,959,546)
Liability recognized in statement of financial position	27,736	47,058	35,673	379,833	490,300

Net outstanding claims and reserves for 2015:

Accident year	2012 and earlier	2013	2014 SR'000	2015	Total
Estimate of ultimate claims cost:					
At the end of accident year	850,490	548,128	916,226	1,501,210	1,501,210
One year later	859,176	553,424	924,001	-	924,001
Two years later	866,473	553,836	-	-	553,836
Three years later	847,524	-	-	-	847,524
Current estimate of cumulative claims	847,524	553,836	924,001	1,501,210	3,826,571
Cumulative payments to date	(836,160)	(534,701)	(861,630)	(1,125,751)	(3,358,242)
Liability recognized in statement of financial position	11,364	19,135	62,371	375,459	468,329

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

11. INVESTMENT INCOME

i) Insurance operations:	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Commission income on short term Murabaha deposits	18,209	4,192
Commission income on available for sale investments	546	1,108
Loss on sale of available for sale investments	(1,184)	-
	<u>17,571</u>	<u>5,300</u>
ii) Shareholders' operations:	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Gain on sale of available for sale investments	5,943	3,415
Commission income on available for sale investments	1,586	2,318
Dividend income from available for sale investments (quoted)	1,460	1,729
Commission income on short term Murabaha deposits	2,681	512
	<u>11,670</u>	<u>7,974</u>

12. REINSURERS' SHARE OF OUTSTANDING CLAIMS

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Reinsurers' share of outstanding claims	163,740	264,567

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the statement of financial position date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

Amounts due from reinsurers relating to claims already paid by the Company are included in receivables, net (note 8).

13. PREPAID EXPENSES AND OTHER ASSETS

Insurance operations:	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Prepaid employee benefits and others	7,724	6,217
Deferred expenses	3,202	3,181
Prepaid rent	3,893	3,960
Advance to employees	1,845	97
Advance to suppliers	566	1,292
Accrued commission receivable	3,389	1,880
Guarantee deposits	300	300
Others	1,900	1,535
Total	<u>22,819</u>	<u>18,462</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

14. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements SR'000	Computer hardware SR'000	Computer software SR'000	Furniture and fixtures SR'000	Office equipment SR'000	Motor vehicles SR'000	Total 2016 SR'000
Cost							
At the beginning of the year	13,080	10,212	3,325	3,742	2,819	84	33,262
Additions	2,610	518	20	94	111	-	3,353
At the end of the year	15,690	10,730	3,345	3,836	2,930	84	36,615
Accumulated depreciation							
At the beginning of the year	11,481	8,422	1,960	2,223	2,416	84	26,586
Charge during the year	914	837	334	361	181	-	2,627
At the end of the year	12,395	9,259	2,294	2,584	2,597	84	29,213
Net book value							
December 31, 2016	3,295	1,471	1,051	1,252	333	-	7,402

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

14. PROPERTY AND EQUIPMENT, NET (Continued)

	Leasehold improvements SR '000	Computer hardware SR '000	Computer software SR '000	Furniture and fixtures SR '000	Office equipment SR '000	Motor vehicles SR '000	Capital work in progress SR '000	Total 2015 SR '000
Cost								
At the beginning of the year	12,580	9,300	3,325	3,666	2,524	84	171	31,650
Additions	329	912	-	76	295	-	-	1,612
Transfers	171						(171)	-
At the end of the year	13,080	10,212	3,325	3,742	2,819	84	-	33,262
Accumulated depreciation								
At the beginning of the year	10,212	7,616	1,628	1,851	2,214	84	-	23,605
Charge during the year	1,269	806	332	372	202	-		2,981
At the end of the year	11,481	8,422	1,960	2,223	2,416	84	-	26,586
Net book value December 31, 2015	1,599	1,790	1,365	1,519	403	-	-	6,676

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

15. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ('SAMA'), the Company has deposited 15 percent (December 31, 2015: 10 percent) of its share capital, amounting to SR 45 million (December 31, 2015: 30 million) in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position.

16. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

i) Insurance operations:

Claims payable, accrued expenses and other liabilities of the insurance operations comprise of the following:

	<i>Note</i>	2016	2015
		SR'000	SR'000
Claims payable		126,573	49,844
Commissions payable		40,818	42,172
Provision for withholding tax on reinsurance payments		22,149	19,943
Accrued employees' salaries and other benefits		8,191	8,769
End-of-service benefits	<i>16.1</i>	13,544	9,865
Accrued vacation allowance		2,799	2,066
Accrued SAMA inspection fees		969	1,083
Advances received from customers		8,672	18,415
Accounts payable - GOSI and others		2,131	908
Accrued CCHI inspection fees		272	916
Accrued professional fees		542	587
Accrued profit commission		77,684	-
Other liabilities		35,242	21,376
		339,586	175,944

ii) Shareholders' operations:

	2016	2015
	SR'000	SR'000
Due to founding shareholders	236	255
Others	350	300
	586	555

16.1 END-OF-SERVICE BENEFITS

During the year, the Company has valued the provision for end of service benefits using the Projected Unit Credit ("PUC") method. This involves projecting benefits to leaving service, retirement or death allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date.

The effect of using PUC method has been recognized in the current year as the impact on previous years was not material.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

16.1 END-OF-SERVICE BENEFITS (continued)

Movement of end of service benefits:

	2016 SR'000	2015 SR'000
At the beginning of the year	9,865	10,194
Charge for the year	3,857	1,454
Re-measurement loss on defined benefit plan	1,754	-
Paid during the year	(1,932)	(1,783)
At the end of the year	13,544	9,865

Actuarial assumptions:

The following were the principal actuarial assumptions at the reporting date:

	2016	2015
Discount rate	4.5 %	6%
Salary escalation	4.5 %	5%
Average expected remaining years of service	8 years	11.5 years

Sensitivity analysis:

A 50 basis point change to above stated actuarial assumptions, keeping all other assumptions same, have negligible impact on the financial statements.

17. ZAKAT

The estimated zakat base of the Company, which is subject to adjustments under zakat regulations, consists of the following:

	2016 SR'000	2015 SR'000
Share capital	300,000	300,000
Loss before zakat	(150,174)	(1,883)
Property and equipment, net	(16,088)	(15,725)
Adjusted available for sale investments	(44,833)	(6,605)
Statutory deposit	(45,000)	(30,000)
Accumulated losses	(5,003)	(15,143)
Provision for withholding tax on reinsurance payments	22,149	19,943
Provision for doubtful receivables	43,000	35,600
Accrued end-of-service benefits	13,544	9,865
Estimated zakat base	117,595	296,052

The movement in the zakat provision is as follows:

	2016 SR'000	2015 SR'000
At the beginning of the year	18,923	17,121
Charge for the year	6,000	8,000
Paid during the year	(4,616)	(6,198)
At the end of the year	20,307	18,923

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

17. ZAKAT (continued)

Status of Assessment

The Company had filed Zakat returns with the General Authority of Zakat and Tax ("GAZT") for the years from 2007 to 2015. The Company has received assessment from GAZT for the years from 2007 to 2010.

Status of Appeal

The Company had filed an appeal against the assessment of GAZT for the years 2007 to 2010, which is pending in Board of Grievances.

18. SHARE CAPITAL AND STATUTORY RESERVE

The share capital of the Company as at December 31, 2016 is SR 300 million (December 31, 2015: SR 300 million) divided into 30 million (December 31, 2015: 30 million) shares of SR 10 each.

In accordance with the Company's Articles of Association and in compliance with Article 70 (2g) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company. No amount has been allocated to reserve as the Company has incurred a loss for the year.

19. OPERATING AND ADMINISTRATIVE SALARIES

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Basic salaries	41,969	40,947
Housing allowances	9,904	9,652
Staff bonus	2,000	3,000
Transportation allowances	6,595	6,494
Insurance	4,742	4,870
End-of-service benefits	3,857	1,454
Social security charges	4,496	3,767
Others	4,997	1,822
	<u>78,560</u>	<u>72,006</u>

20. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Occupancy charges	7,218	7,022
Inspection fees	8,601	9,785
Professional fees	6,177	3,729
Depreciation expense (note 14)	2,627	2,981
Advertisement and promotion	1,679	752
Withholding tax	3,401	7,972
Office supplies	1,076	1,521
Communication expenses	1,792	1,613
Training and development	456	404
Charge for doubtful receivables (note 8)	7,400	1,000
IT expenses	2,454	1,360
Others	8,999	6,766
	<u>51,880</u>	<u>44,905</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

21. LOSS PER SHARE

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

Diluted loss per share are the same as basic loss per share as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management.

The transactions with related parties and the related amounts are as follows:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Gross premiums written to companies related to the members of Board of Directors (BOD)	3,911	4,229
Commission charged by a brokerage firm related to a BOD member	-	3
Gross premiums received from BOD members	50	24
Gross claims paid to companies related to BOD members	240	33
Gross claims paid to BOD members	3	(5)
Board of Directors' and committees meeting fees	264	216
Net reinsurance premiums paid to a reinsurance brokerage firm related to a BOD member	1,234	1,536
Net reinsurance claims received from a reinsurance brokerage firm related to a BOD member	123	50
Board of directors' remuneration	1,020	1,020

Due to/from related parties as at December 31, 2016 and December 31, 2015 comprise of the following:

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Net reinsurance balance receivable from a reinsurance brokerage firm related to a BOD member	(55)	2
Premiums receivable from companies related to BOD members	4,209	3,205

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

22.1 Remuneration and compensation of BOD members and key management personnel

	Board of Director members (Non- executives)	Key management personnel including the CEO and CFO
	SR'000	
2016		
Salaries and compensation	-	7,613
Allowances	264	11
Annual remuneration	1,020	1,135
	<u>1,284</u>	<u>8,759</u>
2015		
	SR'000	
Salaries and compensation	-	8,396
Allowances	216	9
Annual remuneration	1,020	1,400
	<u>1,236</u>	<u>9,805</u>

23. CONTINGENT LIABILITIES

As at December 31, 2016, the Company has contingent liabilities in the form of letters of guarantees issued by banks amounting to SR 14.47 million (December 31, 2015: SR 15.39 million). Furthermore, the management is not aware of any major claims outstanding as at December 31, 2016 by or against the Company other than those recorded in these financial statements

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction 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 Company's financial assets consist of cash and cash equivalents, receivables, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

24. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial 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 table below presents the financial instruments at their fair values as at December 31, 2016 and December 31, 2015 based on the fair value hierarchy. 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 of fair value.

2016	Carrying Amount (SAR'000)	Level 1	Level 2	Total
Insurance Operations:				
<u>Available for sale financial assets</u>				
Mutual Funds	5,346	-	5,346	5,346
	<u>5,346</u>	<u>-</u>	<u>5,346</u>	<u>5,346</u>
Shareholders' Operations:				
<u>Available for sale financial assets</u>				
Equities	603	603	-	603
Mutual Funds	25,308	-	25,308	25,308
Sukuk	45,000	-	45,000	45,000
	<u>70,911</u>	<u>603</u>	<u>70,308</u>	<u>70,911</u>
	<u>76,257</u>	<u>603</u>	<u>75,654</u>	<u>76,257</u>
2015				
Insurance Operations:				
<u>Available for sale financial assets</u>				
Mutual Funds	6,475	-	6,475	6,475
Sukuk	30,394	20,383	10,011	30,394
	<u>36,869</u>	<u>20,383</u>	<u>16,486</u>	<u>36,869</u>
Shareholders' Operations:				
<u>Available for sale financial assets</u>				
Equities	42,467	42,467	-	42,467
Mutual Funds	54,984	-	54,984	54,984
Sukuk	75,533	25,479	50,054	75,533
	<u>172,984</u>	<u>67,946</u>	<u>105,038</u>	<u>172,984</u>
	<u>209,853</u>	<u>88,329</u>	<u>121,524</u>	<u>209,853</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

24. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The fair values of all other financial assets and liabilities which are carried at cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and on account of the short duration of the assets and liabilities.

Transfer between level 1 and level 2

There were no transfers between the levels of fair value hierarchies during the year.

Level 2 valuation technique:

Level 2 investments comprise investment in private equity funds and debt instruments. The fair value of private equity funds computed is based on the funds latest reported net asset value as at the financial position date. Further, the debt instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value. The carrying values as at December 31, 2016 and December 31, 2015 approximate their fair value.

25. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment results do not include commission on short term Murabaha deposits.

Segment assets do not include insurance operations' cash and cash equivalents, short term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment.

Segment liabilities do not include reinsurers' balances payable, accrued expenses and other liabilities, surplus distribution payable and due to shareholders.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

25. SEGMENT INFORMATION (continued)

Operating segments

For the year ended December 31, 2016

Operating segments	Property	Engineering	Motor	Medical	Others	Total
	SR'000					
Insurance operations						
Gross written premiums	72,979	42,565	1,900,633	95,162	56,517	2,167,856
Reinsurance ceded premiums	(70,453)	(42,343)	(529,716)	-	(24,652)	(667,164)
Net written premiums	2,526	222	1,370,917	95,162	31,865	1,500,692
Net earned premiums	2,595	913	1,304,134	84,087	32,113	1,423,842
Reinsurance commission	19,164	15,426	371,056	-	9,686	415,332
Other income	139	82	10,832	318	156	11,527
Net incurred claims	(113)	26	(1,565,292)	(59,585)	1,690	(1,623,274)
Other costs	(7,729)	(3,083)	(212,079)	(7,601)	(25,924)	(256,416)
Depreciation	(88)	(52)	(2,303)	(116)	(68)	(2,627)
Operating and administrative salaries and other general and administrative expenses	(4,370)	(2,547)	(113,816)	(5,699)	(3,386)	(129,818)
Surplus / (deficit) from insurance operations	9,598	10,765	(207,468)	11,404	14,267	(161,434)
Commission on short term Murabaha deposits						17,571
Deficit from insurance operations						(143,863)

For the year ended December 31, 2015

Operating segments	Property	Engineering	Motor	Medical	Others	Total
	SR'000					
Insurance operations						
Gross written premiums	80,367	43,757	1,585,736	91,653	61,965	1,863,478
Reinsurance ceded premiums	(69,857)	(42,005)	(197,648)	-	(30,185)	(339,695)
Net written premiums	10,510	1,752	1,388,088	91,653	31,780	1,523,783
Net earned premiums	10,597	1,796	1,594,635	98,875	15,371	1,721,274
Reinsurance commission	18,781	11,554	15,337	-	10,810	56,482
Other income	79	46	8,930	888	123	10,066
Net incurred claims	1,128	(232)	(1,423,434)	(56,102)	(6,830)	(1,485,470)
Other costs	(9,612)	(3,132)	(169,909)	(9,780)	(6,705)	(199,138)
Depreciation	(129)	(70)	(2,537)	(147)	(98)	(2,981)
Operating and administrative salaries and other general and administrative expenses	(4,913)	(2,675)	(96,948)	(5,603)	(3,791)	(113,930)
Surplus/ (deficit) / from insurance operations	15,931	7,287	(73,926)	28,131	8,880	(13,697)
Commission on short Murabaha deposits						5,300
Deficit from insurance operations						(8,397)

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

25. SEGMENT INFORMATION (Continued)

As at December 31, 2016

Operating segments	Property	Engineering	Motor	Medical	Others	Total
	<u>SR'000</u>					
Insurance operations' assets						
Reinsurers' share of unearned premiums	20,852	20,710	68,210	-	8,377	118,149
Reinsurers' share of outstanding claims	98,398	27,187	25,860	-	12,295	163,740
Deferred policy acquisition costs	1,940	1,063	39,170	2,423	3,351	47,947
Unallocated assets						1,220,587
Total assets						1,550,423
Insurance operations' liabilities						
Gross unearned premiums	21,262	21,124	370,447	40,112	29,218	482,163
Unearned reinsurance commission	5,883	6,292	8,526	-	2,913	23,614
Gross outstanding claims	99,849	30,294	492,444	13,636	17,817	654,040
Unallocated liabilities						390,606
Total liabilities						1,550,423

As at December 31, 2015

Operating segments	Property	Engineering	Motor	Medical	Others	Total
	<u>SR'000</u>					
Insurance operations' assets						
Reinsurers' share of unearned premiums	21,695	25,812	132,138	-	9,079	188,724
Reinsurers' share of outstanding claims	167,881	29,492	43,859	-	23,335	264,567
Deferred policy acquisition costs	1,768	1,312	38,969	1,724	3,354	47,127
Unallocated assets	-	-	-	-	-	1,108,642
Total assets						1,609,060
Insurance operations' liabilities						
Gross unearned premiums	22,175	26,917	367,592	29,037	30,167	475,888
Unearned reinsurance commission	6,341	8,058	16,517	-	3,043	33,959
Outstanding claims	169,812	33,001	483,049	14,165	32,869	732,896
Unallocated liabilities	-	-	-	-	-	366,317
Total liabilities						1,609,060

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT

Risk governance

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

Risk management structure

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

Board of directors

The apex of risk governance is the centralized oversight of 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.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

26.1 Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

A significant portion of reinsurance business ceded is placed on a proportional basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognized, while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on net liabilities and net income.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

Sensitivities (Continued)

December 31, 2016	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10%	142,384	(142,384)
	- 10%	(142,384)	142,384
December 31, 2015	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10%	172,127	(172,127)
	- 10%	(172,127)	172,127

26.2 Reinsurance risk

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

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

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

- Minimum acceptable credit rating by recognized rating agencies that is not lower than BBB.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's board of directors and Reinsurance Committee before approving them for exchange of reinsurance business.

26.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

26.4 Commission rate risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates in the currencies in which its cash and cash equivalents and investments are denominated.

A hypothetical 100 basis points change in the effective commission rates of the floating rate financial assets balances at December 31, 2016 for the policyholders and shareholders would impact commission income annually by approximately SR 7.96 million (2015: SR 7.01 million) and SR 1.90 million (2015: SR 1.30 million) respectively, in aggregate.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.4 Commission rate risk (Continued)

Maturities of the Company's investments as at December 31, 2016 and December 31, 2015 are as follows:

<u>2016</u>	<u>Commission bearing</u>			<u>Non-commission bearing</u>	<u>Total</u>
	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Insurance operations					
Cash and cash equivalents	721,024	-	-	86,509	807,533
Short term Murahaba deposits	75,000	-	-	-	75,000
Available for sale investments	-	-	-	5,346	5,346
December 31, 2016	796,024	-	-	91,855	887,879
Shareholders' operations					
Cash and cash equivalents	145,000	-	-	6,498	151,498
Available for sale investments	-	10,000	35,000	27,834	72,834
December 31, 2016	145,000	10,000	35,000	34,332	224,332

<u>2015</u>	<u>Commission bearing</u>			<u>Non-commission bearing</u>	<u>Total</u>
	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Insurance operations					
Cash and cash equivalents	455,000	-	-	83,794	538,794
Short term Murahaba deposits	235,766	-	-	-	235,766
Available for sale investments	-	-	10,011	26,858	36,869
December 31, 2015	690,766	-	10,011	110,652	811,429
Shareholders' operations					
Cash and cash equivalents	80,000	-	-	324	80,324
Available for sale investments	-	-	50,054	124,853	174,907
December 31, 2015	80,000	-	50,054	125,177	255,231

There is no significant difference between contractual re-pricing and maturity dates.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.5 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 assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the balance sheet.

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 ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the investment officer in accordance with the investment policy established by the board of directors.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, private banking and counterparties having strong balance sheets and credit ratings.
- There are no significant concentrations of credit risk within the Company except as disclosed in note 8.

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

	2016	2015
	<u>SR'000</u>	<u>SR'000</u>
Insurance operations' assets		
Cash and cash equivalents	807,533	538,709
Short term Murabaha deposits	75,000	235,766
Available for sale investments	-	30,394
Receivables, net	158,624	263,678
Reinsurers' share of outstanding claims	163,740	264,567
	<u>1,204,897</u>	<u>1,333,114</u>
Shareholders' assets		
Cash and cash equivalents	151,498	80,324
Available for sale investments	45,000	75,533
Statutory deposit	45,000	30,000
Prepaid expenses and other assets	1,249	1,078
	<u>242,747</u>	<u>186,935</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.5.1 Credit quality

The credit quality of the financial assets is as follows:

Credit quality	Credit Rating *	Insurance Operations	Shareholders operations		
		2016 SR'000	2015 SR'000	2016 SR'000	2015 SR'000
Cash and cash equivalents					
Very strong	A - to A+	807,533	538,794	151,498	80,324
Satisfactory	BBB +	-	-	-	-
Unrated	Unrated	-	-	-	-
		807,533	538,794	151,498	80,324
Short term murabaha deposits					
Very strong	A - to A+	75,000	235,766	-	-
		75,000	235,766	-	-
Investments					
Very strong	A - to A+	-	30,394	35,000	107,274
Satisfactory	BBB +	-	-	603	715
Unrated	Unrated	5,346	6,475	37,231	66,918
		5,346	36,869	72,834	174,907

* Credit rating source: Standard and Poors

All other financial assets are unrated.

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturities of the Company's undiscounted contractual obligations. As the Company does not have any commission bearing liabilities, the amounts in the table match the amounts in the statement of financial position:

2016

	Less than 12 months	More than 12 months	Total
	SR '000		
Insurance operations' liabilities			
Surplus distribution payable	8,301	-	8,301
Reinsurers' balances payable	42,122	-	42,122
Outstanding claims and reserves	654,040	-	654,040
Claims payable, accrued expenses and other liabilities	326,042	13,544	339,586
	<u>1,030,505</u>	<u>13,544</u>	<u>1,044,049</u>
Shareholders' liabilities			
Accrued expenses and other liabilities	586	-	586

2015

	Less than 12 months	More than 12 months	Total
	SR '000		
Insurance operations' liabilities			
Surplus distribution payable	8,301	-	8,301
Reinsurers' balances payable	180,203	-	180,203
Outstanding claims and reserves	732,896	-	732,896
Claims payable, accrued expenses and other liabilities	166,079	9,865	175,944
	<u>1,087,479</u>	<u>9,865</u>	<u>1,097,344</u>
Shareholders' liabilities			
Accrued expenses and other liabilities	555	-	555

26.7 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's available for sale quoted investments related to shareholders' operations amounting to SAR 0.6 million (December 31, 2015: SR 88.3 million) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

A hypothetical 10 percent change in market prices of available for sale quoted investments would impact the net results and shareholders' equity as follows:

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.7 Market price risk (Continued)

SR'000	Price change	Fair value	Effect on shareholders' equity
December 31, 2016	10% increase	664	60
	10% decrease	543	(60)
December 31, 2015	10% increase	97,162	8,833
	10% decrease	79,496	(8,833)

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2016. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

26.8 Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balances. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital, reserves net of accumulated losses.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. According to the article, the Company shall maintain a solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2016 the Company's solvency margin is below the limits prescribed by SAMA. The board confirms its commitment to business continuation, and recommended raise in capital amounting to SR 380 million through right issue subject to approval of regulators and shareholders through general assembly to support business growth and to meet solvency requirements. The Company has received SAMA's approval in this regard on 2 January 2017.

26.9 Regulatory framework risk

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 reinsurance companies and to enable them to meet unforeseen liabilities as these arise.

26.10 Geographical concentration of risk

The Company operates in the Kingdom of Saudi Arabia and substantially all of the insurance risk relate to policies written in the Kingdom of Saudi Arabia.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

26. RISK MANAGEMENT (Continued)

26.11 Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor. Approximately 40.2% of the gross written premiums arise from one major customer.

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

26.12 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of claim related reserves are given under note 4.

26.13 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve arising as a result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. The details of liability adequacy test are given under note 4.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 25 Jumada Al Awal 1438 H corresponding to February 22, 2017 G.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEX	PAGE
Independent auditors' report	1
Statement of financial position	2 - 3
Statement of income - insurance operations	4
Statement of comprehensive income - insurance operations	5
Statement of comprehensive income - shareholders' operations	6
Statement of changes in shareholders' equity	7
Statement of cash flows - insurance operations	8
Statement of cash flows - shareholders' operations	9
Notes to the financial statements	10 - 47



KPMG Al Fozan & Partners
Certified Public Accountants



International Accountants
 المحاسبون الدوليون

An Independent Member of **IFIA** International

INDEPENDENT AUDITORS' REPORT

To the shareholders of Malath Cooperative Insurance & Reinsurance Company

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Malath Cooperative Insurance & Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at December 31, 2015, and the related statement of income – insurance operations, statement of comprehensive income – insurance operations and statement of comprehensive income – shareholders' operations, statement of changes in shareholders' equity and statements of cash flows for insurance and shareholders' operations for the year then ended and notes 1 to 27 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF MATTER:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

KPMG Al Fozan & Partners
Certified Public Accountants
 P. O. Box 92876
 Riyadh 11663
 Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
 Certified Public Accountant
 Registration No. 371



International Accountants
Certified Public Accountants
 P O Box 18025
 Riyadh 11415
 Kingdom of Saudi Arabia

Khalid Ali Ibrahim Otain
 Certified Public Accountant
 Registration No. 373



17 February 2016
 8 Jumaada Al Awal 1437 H

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>Notes</u>	<u>2015</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	538,794	457,254
Short term Murabaha deposits	6	235,766	50,621
Available for sale investments	7	36,869	35,303
Receivables, net	8	263,678	457,636
Reinsurers' share of unearned premiums	9	188,724	59,928
Reinsurers' share of outstanding claims	9,12	264,567	478,067
Deferred policy acquisition costs	9	47,127	43,737
Prepaid expenses and other assets	13	18,462	16,410
Property and equipment, net	14	6,676	8,045
Due from shareholders operations		8,397	23,095
TOTAL INSURANCE OPERATIONS' ASSETS		1,609,060	1,630,096
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	80,324	79,518
Short term Murabaha deposits	6	-	15,000
Available for sale investments	7	174,907	192,006
Statutory deposit	15	30,000	30,000
Prepaid expenses and other assets		1,078	467
TOTAL SHAREHOLDERS'ASSETS		286,309	316,991
TOTAL ASSETS		1,895,369	1,947,087

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (continued)
AS AT DECEMBER 31, 2015

	<u>Notes</u>	<u>2015</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Reinsurers' balances payable		180,203	37,690
Unearned premiums	9	475,888	544,583
Unearned reinsurance commission	9	33,959	16,965
Gross outstanding claims and reserves	9, 10	732,896	843,636
Claims payable, accrued expenses and other liabilities	16	175,944	178,618
Surplus distribution payable		8,301	8,301
TOTAL INSURANCE OPERATIONS' LIABILITIES		1,607,191	1,629,793
INSURANCE OPERATIONS' SURPLUS			
Fair value reserve for available for sale investments	7	1,869	303
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		1,609,060	1,630,096
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat provision	17	18,923	17,121
Accrued expenses and other liabilities	16	555	556
Due to insurance operations		8,397	23,095
TOTAL SHAREHOLDERS' LIABILITIES		27,875	40,772
SHAREHOLDERS' EQUITY			
Share capital	18	300,000	300,000
Statutory reserve	18	2,131	2,131
Accumulated deficit		(56,906)	(47,023)
Fair value reserve for available for sale investments	7	13,209	21,111
TOTAL SHAREHOLDERS' EQUITY		258,434	276,219
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		286,309	316,991
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,895,369	1,947,087

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME - INSURANCE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 SR'000	2014 SR'000
REVENUES			
Gross written premiums		1,863,478	1,412,841
Less: Reinsurance ceded premiums		(339,695)	(147,087)
Net written premiums	9	1,523,783	1,265,754
Changes in unearned premiums		197,491	(232,271)
Net earned premiums	9	1,721,274	1,033,483
Reinsurance commission	9	56,482	31,816
Investment income	11	5,300	2,938
Other income		10,066	18,275
TOTAL REVENUES		1,793,122	1,086,512
COSTS AND EXPENSES			
Gross paid claims	9	1,444,794	811,098
Less: Reinsurance share	9	(62,084)	(59,383)
Net paid claims	9	1,382,710	751,715
Changes in outstanding claims and reserves		102,760	175,340
Net incurred claims	9	1,485,470	927,055
Policy acquisition costs	9	171,927	55,958
Excess of loss expenses		27,211	22,574
Operating and administrative salaries	19	72,006	72,689
Other general and administrative expenses	20	44,905	31,331
TOTAL COSTS AND EXPENSES		1,801,519	1,109,607
Deficit from insurance operations		(8,397)	(23,095)
Shareholders' appropriation from deficit	2	8,397	23,095
NET RESULT FOR THE YEAR		-	-

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Note</u>	<u>2015</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>
Net result for the year		-	-
Other comprehensive income to be reclassified to statement of income in subsequent years			
Net change in fair value reserve for available for sale investments	7 (i)(b)	<u>1,566</u>	<u>(475)</u>
Total comprehensive income / (loss) for the year		<u><u>1,566</u></u>	<u><u>(475)</u></u>

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 SR'000	2014 SR'000
Deficit transferred from insurance operations	2	(8,397)	(23,095)
Investment income	11	7,974	18,460
General and administrative expenses		(1,460)	(1,577)
Loss before zakat		(1,883)	(6,212)
Provision for zakat	17	(8,000)	(7,500)
Net loss for the year		(9,883)	(13,712)
Other comprehensive income to be reclassified to statement of income in subsequent years			
Change in fair value reserve for available for sale investments		(4,487)	12,639
Realized gain on sale of available for sale investments	7 (ii) (b)	(3,415)	(13,688)
		(7,902)	(1,049)
Total comprehensive loss for the year		(17,785)	(14,761)
Basic and diluted loss per share before zakat (in SR)	21	(0.063)	(0.207)
Basic and diluted loss per share after zakat (in SR)	21	(0.329)	(0.457)
Weighted average number of shares in issue throughout the year (in thousands)		30,000	30,000

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Statutory reserve	Accumulated deficit SR'000	Fair value reserve for available for sale investments	Total
Balance at January 1, 2014	300,000	2,131	(33,311)	22,160	290,980
Net loss for the year	-	-	(13,712)	-	(13,712)
Change in fair value reserve for available for sale investments	-	-	-	12,639	12,639
Realized gain on sale of available for sale investments	-	-	-	(13,688)	(13,688)
Total comprehensive loss for the year	-	-	(13,712)	(1,049)	(14,761)
Balance at December 31, 2014	300,000	2,131	(47,023)	21,111	276,219
Balance at January 1, 2015	300,000	2,131	(47,023)	21,111	276,219
Net loss for the year	-	-	(9,883)	-	(9,883)
Change in fair value reserve for available for sale investments	-	-	-	(4,487)	(4,487)
Realized gain on sale of available for sale investments	-	-	-	(3,415)	(3,415)
Total comprehensive loss for the year	-	-	(9,883)	(7,902)	(17,785)
Balance at December 31, 2015	300,000	2,131	(56,906)	13,209	258,434

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015

	<u>Note</u>	<u>2015</u> <u>SR'000</u>	<u>2014</u> <u>SR'000</u>
Cash flows from operating activities			
Net result for the year		-	-
<i>Adjustments for:</i>			
Depreciation		2,981	3,715
Provision for doubtful receivables		1,000	(5,317)
Shareholders' appropriation from deficit		(8,397)	(23,095)
		<u>(4,416)</u>	<u>(24,697)</u>
<i>Changes in operating assets and liabilities:</i>			
Receivables		192,958	(234,653)
Reinsurers' share of unearned premiums		(128,796)	(26,383)
Reinsurers' share of outstanding claims		213,500	(17,331)
Deferred policy acquisition costs		(3,390)	(21,860)
Prepaid expenses and other assets		(2,051)	2,190
Reinsurers' balances payable		142,513	4,505
Unearned premiums		(68,695)	258,654
Unearned reinsurance commission		16,994	7,853
Outstanding claims		(110,739)	192,671
Claims payable, accrued expenses and other liabilities		(2,675)	57,007
Due from shareholders' operations		23,095	37,331
Net cash from operating activities		<u>268,298</u>	<u>235,287</u>
Cash flows from investing activities			
Additions to property and equipment, net		(1,613)	(1,359)
Purchase of available for sale investments		-	(10,000)
Proceeds from sales available for sale investments		-	10,000
Murabaha deposit placements		15,000	74,379
Maturity of Murabaha deposits		(200,145)	(40,000)
Net cash (used in) / from investing activities		<u>(186,758)</u>	<u>33,020</u>
Net change in cash and cash equivalents		<u>81,540</u>	<u>268,307</u>
Cash and cash equivalents, beginning of the year		457,254	188,947
Cash and cash equivalents, end of the year	5	<u><u>538,794</u></u>	<u><u>457,254</u></u>
Non-cash supplemental information:			
Change in fair value of available for sale investments		1,566	(475)
Transfer from capital work in progress to property and equipment		(171)	(475)

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015

	Note	2015 SR'000	2014 SR'000
Cash flows from operating activities			
Loss before zakat		(1,883)	(6,212)
<i>Adjustments for:</i>			
Gain on sale of available for sale investments		(3,415)	(13,688)
Shareholders' appropriation from deficit of insurance operations		8,397	23,095
		<u>3,099</u>	<u>3,195</u>
<i>Changes in operating assets and liabilities:</i>			
Accrued commission receivable		(612)	294
Due to insurance operations		(23,095)	(37,331)
Zakat paid		(6,198)	(5,498)
		<u>(26,806)</u>	<u>(39,340)</u>
Cash flows from investing activities			
Murabaha deposit placements		15,000	50,000
Purchase of available for sale investments		(20,798)	(42,434)
Proceeds from sale of available for sale investments		33,410	52,321
		<u>27,612</u>	<u>59,887</u>
Change in cash and cash equivalents		<u>806</u>	<u>20,547</u>
Cash and cash equivalents, beginning of the year		79,518	58,971
Cash and cash equivalents, end of the year	5	<u><u>80,324</u></u>	<u><u>79,518</u></u>
Non-cash supplemental information:			
Change in fair value reserve of available for sale investments		<u>(7,902)</u>	<u>(1,049)</u>

The accompanying notes 1 to 27 are an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

1. GENERAL

Malath Cooperative Insurance & Reinsurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on Rabi Al-Awal 21, 1428H corresponding to April 9, 2007 under Commercial Registration No. 1010231787. The Company's head office is at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and reinsurance and related services in accordance with its Articles of Association and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 31 December 2015, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA). However, based on the corrective measures taken by the Company, future business prospects and improvement in net results of the Company the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance and Shareholders' operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

In accordance with Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus to be transferred to shareholders' operations. Any deficiency arising on insurance operations is transferred to shareholders' operations in full.

Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.

Functional and presentation currency

The financial statements are presented in Saudi Riyals being the functional currency of the Company. All financial information presented in Saudi Riyals have been rounded to the nearest thousands, except otherwise indicated.

Fiscal year

The Company follows a fiscal year ending December 31.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS:

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements as of and for the year ended December 31, 2014, except for the adoption of new standards, amendments and revisions to existing standards as mentioned below which had no significant financial impact on the financial statements of the Company:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (Continued)

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
 - IFRS 13 – “Fair Value Measurement” has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
 - IAS 16 – “Property, plant and equipment”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 - “Related Party Disclosures”- the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below:

- *IFRS 9 Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application is permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.
- *IFRS 15 Revenue from Contracts with Customers*
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- *Annual Improvements to IFRSs 2012-2014 Cycle:*
The IASB has published annual improvements to IFRSs 2012-2014 Cycle as a part of its process to make non-urgent but necessary amendments to IFRS. These amendments are effective on or after 1 January 2016, with earlier adoption permitted:
 - Continuing involvement for servicing contracts: IFRS 7 is amended to clarify when servicing arrangements are in scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of transferred asset.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (Continued)

Standards issued but not yet effective (Continued)

- Offsetting disclosures in condensed interim financial statements: IFRS 7 is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34 Interim Financial Reporting Requirement require their inclusion.
- IAS 19: The IASB has amended IAS 19 to clarify that high-quality corporate bonds used in determining the discount rate should be issued in the same currency in which benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below

Cash and cash equivalents

Cash and cash equivalents comprise of bank current accounts and short term Murabaha deposits with an original maturity of three months or less at the date of acquisition.

Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of the existence of insurance risk. This insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

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 year.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amount as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- for financial assets at fair value, the impairment loss is based on the decline in fair value; and
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment and uncollectibility of financial assets (continued)

For presentation purposes, the resulting allowance is carried in the respective category within the statement of financial position and the related statements of income - insurance operations or statement of comprehensive income - shareholders' operations are adjusted.

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the event can be related objectively to an event occurring after the impairment was recognized then the previously recognized impairment loss is reversed through profit or loss.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes 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 flows 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.

Impairment of non-financial assets

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Deferred policy acquisition costs

Direct and indirect costs incurred during the financial year arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a pro-rata basis based on the term of expected future premiums, except for marine cargo where the deferred portion shall be the cost incurred during the last quarter. Amortization is recorded in the statement of income insurance operations.

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 amortization 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 values an impairment loss is recognized in the statement of income insurance operations. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognized when the related contracts are either settled or disposed of.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell assets acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position, statement of comprehensive income-insurance operations and shareholders' comprehensive income.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Realized gains or losses on sale of these investments are reported in the related statements of income - insurance operations or shareholders' comprehensive income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income - insurance operations or statement of shareholders' comprehensive income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the related statements of income - insurance operations or statement of comprehensive income - shareholders' operations as impairment charges.

Fair values of 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. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of income as incurred. The cost of Property and equipment, net is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	Percentage
Leasehold improvements	20%
Computer hardware	25%
Computer software	10%
Furniture and fixtures	10%
Office equipment	20%-25%
Motor vehicles	25%

An item of property and equipment, net and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income of insurance operations when the asset is derecognized.

Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and 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 amount of the obligation. A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount has been reliably estimated.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the statement of income - insurance operations or shareholders' comprehensive income.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business 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 recognized as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each financial 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 is recognized in the statement of insurance operations.

Leases

Operating lease payments are recognized as an expense in the statement of income - insurance operations on a straight-line basis over the lease term.

Expense

Expenses are recognized in statements of income - insurance operations and shareholders' comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income - insurance operations and shareholders' comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of income - insurance operations and shareholders' comprehensive income are presented using the nature of expense method.

Receivables

Receivable are non-derivative financial assets with fixed or determinable payments. Receivables arising from insurance contracts are classified in this category. These are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income - insurance operations. Receivable are derecognized when the derecognition criteria for financial assets have been met.

Revenue recognition

Recognition of premium and commission revenue

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;
- 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 increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company commenced using the pre-defined calculation for engineering class of business starting 1 January 2014. As only the calculation for deferring the premiums has been amended, this is a change in accounting estimate.

This change in calculation is expected to have minimal impact on the net earned premiums of the Company for future years as the net retention of the Company in respect of engineering business is considered to be minimal by management.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income of insurance operations in the same order that revenue is recognized over the period of risk.

Fee income on insurance contracts

Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

Investment income

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

Gross claims consist of benefits and claims paid to policyholders, changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses net of salvage recoveries.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position 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) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following period is included in the statement of income - insurance operations for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

End-of-service benefits

Employees' end-of-service benefits provision is determined using actuarial valuations. The actuary uses Projected Unit Credit (PUC) method. This involves projecting benefits to leaving service, retirement or death allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date. The significant assumptions have been disclosed in Note 16.1.

De-recognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

De-recognition of financial instruments (continued)

- The rights to receive cash flows from the asset have expired; Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income - insurance operations and shareholders' comprehensive income unless required or permitted by any accounting standard or interpretation.

Zakat

The Company is subject to zakat in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is accrued and charged to statement of shareholders' comprehensive income.

Segment reporting

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

- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Engineering provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Medical provides coverage for health.
- Others include miscellaneous accident and marine.

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

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

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of insurance operations.

Critical accounting judgments, estimates and assumptions

The preparation of 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.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date are discussed below.

Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

(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 estimating the liability that the Company will ultimately pay for such claims.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred on or before the statement of financial position date. The primary technique adopted by the 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.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

(ii) Impairment of available for sale financial assets

The Company determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. 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. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

(iii) Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms (Refer note 8).

(iv) Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of income - insurance operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income - insurance operations.

(v) Going concern

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

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

5. CASH AND CASH EQUIVALENTS

i) Insurance operations:

Insurance operations' cash and cash equivalents comprise of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Cash in hand	85	38
Bank current accounts	83,709	24,716
Short term Murabaha deposits having original maturities of less than three months	<u>455,000</u>	<u>432,500</u>
	<u>538,794</u>	<u>457,254</u>

ii) Shareholders' operations:

Shareholders' cash and cash equivalents comprise of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Bank accounts	324	18
Short term Murabaha deposits having original maturities of less than three months	<u>80,000</u>	<u>79,500</u>
	<u>80,324</u>	<u>79,518</u>

Bank current accounts and short term Murabaha deposits are placed with counterparties which have at least investment grade credit ratings.

Short term Murabaha deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The above short term Murabaha deposits are subject to an average commission rate of 1.90% per annum as at December 31, 2015 (December 31, 2014: 0.64% per annum).

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

6. SHORT TERM MURABAHA DEPOSITS

i) Insurance operations:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Short term Murabaha deposits	<u>235,766</u>	<u>50,621</u>

ii) Shareholders' operations:

Short term Murabaha deposits	<u>-</u>	<u>15,000</u>
------------------------------	-----------------	----------------------

The above short term Murabaha deposits have original maturities period of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 1.70% per annum as at December 31, 2015 (December 31, 2014: 1.09% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the reporting date.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

7. AVAILABLE FOR SALE INVESTMENTS

i) Insurance operations

a) Available for sale investments are comprise of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Quoted		
HSBC - Sukuk portfolio holding	20,383	20,262
Unquoted		
General Authority of Civil Aviation Sukuk 2 (Maturing October 2023)	10,011	10,011
NCB Capital- Real Estate Development Fund	6,475	5,030
	<u>36,869</u>	<u>35,303</u>

The accumulated balance of changes in fair value of available for sale investments amounting to SR 1.87 million as at December 31, 2015 (December 31, 2014: SR 0.30 million) is reflected in the statement of financial position as a separate component under insurance operations' surplus.

The fair values of the unquoted mutual funds computed above are based on the latest reported net assets as at the reporting date. Further, the unquoted sukuku are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

b) Movements in available for sale investments is as follows:

	Quoted securities SR'000	Unquoted securities SR'000	Total SR'000
Balance at December 31, 2014	20,262	15,041	35,303
Net change in fair value reserve for available for sale investments	121	1,445	1,566
Balance at December 31, 2015	<u>20,383</u>	<u>16,486</u>	<u>36,869</u>
Balance at December 31, 2013	20,383	15,395	35,778
Additions to available for sale investments	10,000	-	10,000
Proceeds from sale of available for sale investments	(10,000)	-	(10,000)
Net change in fair value reserve for available for sale investments	(121)	(354)	(475)
Balance at December 31, 2014	<u>20,262</u>	<u>15,041</u>	<u>35,303</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

7. AVAILABLE FOR SALE INVESTMENTS (Continued)

ii) Shareholders' operations:

a) Available for sale investments comprise of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Quoted		
HSBC - Sukuk portfolio holding	25,479	25,327
HSBC - Shares portfolio holding	22,378	28,219
Jadwa Investment portfolio	19,374	21,363
Saudi Re-insurance Cooperative Company (Saudi Re) - Shares	715	860
Unquoted		
General Authority of Civil Aviation Sukuk (Maturing January 2022)	30,032	30,034
General Authority of Civil Aviation Sukuk 2 (Maturing October 2023)	10,011	10,011
Derayah Trading Finance Fund	27,033	52,035
TASNEE Sukuk (Maturing May 2019)	10,011	10,011
NCB Capital-Real Estate Development Fund	12,951	10,061
SEDCO Capital-Real Estate Income Fund 2	15,000	-
Najm Company for Insurance Services - Shares	1,923	4,085
Total	<u>174,907</u>	<u>192,006</u>

The balance resulting from the change in fair value of available for sale investments amounting to SR 13.21 million as at December 31, 2015 (December 31, 2014: SR 21.11 million) is reflected under shareholders' equity in the statement of financial position.

b) Movements in available for sale investments is as follows:

	Quoted securities <u>SR'000</u>	Unquoted securities <u>SR'000</u>	Total <u>SR'000</u>
Balance at December 31, 2014	75,769	116,237	192,006
Additions to available for sale investments	5,798	15,000	20,798
Proceeds from sale of available for sale investments	(7,510)	(25,900)	(33,410)
Available for sale reserve transferred to Statement of Shareholders Comprehensive Income	2,515	900	3,415
Net change in fair value reserve for available for sale investments	<u>(8,625)</u>	<u>723</u>	<u>(7,902)</u>
Balance at December 31, 2015	<u>67,947</u>	<u>106,960</u>	<u>174,907</u>
Balance at December 31, 2013	101,037	88,217	189,254
Additions to available for sale investments	17,434	25,000	42,434
Proceeds from sale of available for sale investments	(52,321)	-	(52,321)
Available for sale reserve transferred to Statement of Shareholders Comprehensive Income	13,688	-	13,688
Net change in fair value reserve for available for sale investments	<u>(4,069)</u>	<u>3,020</u>	<u>(1,049)</u>
Balance at December 31, 2014	<u>75,769</u>	<u>116,237</u>	<u>192,006</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

7. AVAILABLE FOR SALE INVESTMENTS (Continued)

c) The analysis of available for sale investments by counter-party is as follows:

	2015 <u>SR'000</u>	2014 <u>SR'000</u>
Insurance operations		
Government and quasi government	13,485	16,714
Corporate	23,384	18,589
	<u>36,869</u>	<u>35,303</u>
Shareholders' operations		
Government and quasi government	44,385	48,424
Insurance	715	860
Corporate	129,807	142,722
	<u>174,907</u>	<u>192,006</u>

8. RECEIVABLES, NET

Receivables from insurance operations comprise due from the following:

	2015 <u>SR'000</u>	2014 <u>SR'000</u>
Policyholders	272,657	452,708
Reinsurers	22,714	21,098
Insurance companies	1,724	10,030
Agents and brokers	2,183	8,400
	<u>299,278</u>	<u>492,236</u>
Provision for doubtful receivables	(35,600)	(34,600)
	<u>263,678</u>	<u>457,636</u>

a) The movements in the provision for doubtful receivables were as follows:

	2015 <u>SR'000</u>	2014 <u>SR'000</u>
At the beginning of the year	34,600	39,917
Charge/ (reversal) for the year	1,000	(5,317)
At the end of the year	<u>35,600</u>	<u>34,600</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

8. RECEIVABLES, NET (Continued)

b) As at December 31, the ageing of receivables is as follows:

SR'000	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired
			Less than 60 days	61-90 days	Above 90 days	
2015	<u>299,278</u>	<u>57,938</u>	<u>193,882</u>	<u>8,933</u>	<u>-</u>	<u>38,975</u>
2014	<u>492,236</u>	<u>217,151</u>	<u>200,091</u>	<u>12,110</u>	<u>-</u>	<u>62,884</u>

Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period.

The five largest non-Government customers, including reinsurance receivable, account for 67% of outstanding accounts receivable as at December 31, 2015 (2014: 72%).

**9. MOVEMENTS IN UNEARNED PREMIUM, UNEARNED REINSURANCE COMMISSION,
OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS**

a) Unearned premiums

	2015 SR'000	2014 SR'000
At the beginning of the year	484,655	252,384
Net written premiums	1,523,783	1,265,754
Net earned premiums	<u>(1,721,274)</u>	<u>(1,033,483)</u>
At the end of the year	287,164	484,655
Reinsurers' share of unearned premiums	<u>188,724</u>	<u>59,928</u>
	<u>475,888</u>	<u>544,583</u>

b) Unearned reinsurance commission

	2015 SR'000	2014 SR'000
At the beginning of the year	16,965	9,112
Commission received during the year	73,476	39,669
Commission earned during the year	<u>(56,482)</u>	<u>(31,816)</u>
At the end of the year	<u>33,959</u>	<u>16,965</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

9. MOVEMENTS IN UNEARNED PREMIUM, UNEARNED REINSURANCE COMMISSION, OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS (continued)

c) Outstanding claims

Movement of outstanding claims

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000			SR'000		
Outstanding claims	500,288	(420,032)	80,256	468,279	(402,565)	65,714
Realizable value of salvage	(23,209)	-	(23,209)	(4,948)	-	(4,948)
Incurred but not reported	366,557	(58,035)	308,522	179,122	(58,171)	120,951
Premium deficiency reserve	-	-	-	8,512	-	8,512
Total at the beginning of the year	843,636	(478,067)	365,569	650,965	(460,736)	190,229
Claims paid	(1,444,794)	62,084	(1,382,710)	(811,098)	59,383	(751,715)
Claims incurred	1,334,054	151,416	1,485,470	1,003,769	(76,714)	927,055
Total at the end of the year	732,896	(264,567)	468,329	843,636	(478,067)	365,569

Composition of outstanding claims

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000			SR'000		
Outstanding claims	352,832	(220,276)	132,556	500,288	(420,032)	80,256
Realizable value of salvage	(76,753)	-	(76,753)	(23,209)	-	(23,209)
Incurred but not reported	456,817	(44,291)	412,526	366,557	(58,035)	308,522
Premium deficiency reserve	-	-	-	-	-	-
Total at the end of the year	732,896	(264,567)	468,329	843,636	(478,067)	365,569

d) Deferred policy acquisition costs

	2015	2014
	SR'000	SR'000
At the beginning of the year	47,737	21,877
Incurred during the year	171,317	77,818
Amortized during the year	(171,927)	(55,958)
At the end of the year	47,127	43,737

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

10. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross insurance contract outstanding claims and reserves provision for 2015:

Accident year	2012 and earlier	2013	2014 SR'000	2015	Total
Estimate of ultimate claims cost:					
At the end of accident year	1,367,660	919,046	1,054,709	1,670,697	1,670,697
One year later	1,397,877	868,163	976,761	-	976,761
Two years later	1,332,145	693,690	-	-	693,690
Three years later	1,242,660	-	-	-	1,242,660
Current estimate of cumulative claims	1,242,660	693,690	976,761	1,670,697	4,583,808
Cumulative payments to date	(1,183,368)	(586,349)	(875,059)	(1,206,136)	(3,850,912)
Liability recognized in statement of financial position	59,292	107,341	101,702	464,561	732,896

Gross insurance contract outstanding claims and reserves provision for 2014:

Accident year	2011 and earlier	2012	2013 SR'000	2014	Total
Estimate of ultimate claims cost:					
At the end of accident year	949,842	417,818	919,046	1,054,709	1,054,709
One year later	987,128	410,749	868,163	-	868,163
Two years later	921,896	410,249	-	-	410,249
Three years later	916,633	-	-	-	916,633
Current estimate of cumulative claims	916,633	410,249	868,163	1,054,709	3,249,754
Cumulative payments to date	(835,891)	(399,756)	(526,870)	(643,601)	(2,406,118)
Liability recognized in statement of financial position	80,742	10,493	341,293	411,108	843,636

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

10. CLAIMS DEVELOPMENT TABLE (continued)

Net insurance contract outstanding claims and reserves provision for 2015:

Accident year	<u>2012 and earlier</u>	<u>2013</u>	<u>2014</u> SR'000	<u>2015</u>	<u>Total</u>
Estimate of ultimate claims cost:					
At the end of accident year	850,490	548,128	916,226	1,501,210	1,501,210
One year later	859,176	553,424	924,001	-	924,001
Two years later	866,473	553,836	-	-	553,836
Three years later	847,524	-	-	-	847,524
Current estimate of cumulative claims	847,524	553,836	924,001	1,501,210	3,826,571
Cumulative payments to date	(836,160)	(534,701)	(861,630)	(1,125,751)	(3,358,242)
Liability recognized in statement of financial position	<u>11,364</u>	<u>19,135</u>	<u>62,371</u>	<u>375,459</u>	<u>468,329</u>

Net insurance contract outstanding claims and reserves provision for 2014:

Accident year	<u>2011 and earlier</u>	<u>2012</u>	<u>2013</u> SR'000	<u>2014</u>	<u>Total</u>
Estimate of ultimate claims cost:					
At the end of accident year	537,633	312,857	548,128	916,226	916,226
One year later	536,883	322,293	553,424	-	553,424
Two years later	542,161	324,312	-	-	324,312
Three years later	547,139	-	-	-	547,139
Current estimate of cumulative claims	547,139	324,312	553,424	916,226	2,341,101
Cumulative payments to date	(538,823)	(320,985)	(491,719)	(624,005)	(1,975,532)
Liability recognized in statement of financial position	<u>8,316</u>	<u>3,327</u>	<u>61,705</u>	<u>292,221</u>	<u>365,569</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

11. INVESTMENT INCOME

i) Insurance operations:	2015 SR'000	2014 SR'000
Commission income on short term Murabaha deposits	4,192	1,987
Commission income on available for sale investments	1,108	951
	<u>5,300</u>	<u>2,938</u>
ii) Shareholders' operations:	2015 SR'000	2014 SR'000
Gain on sale of investments	3,415	13,688
Commission income on available for sale investments	2,318	2,288
Dividend income from available for sale investments (quoted)	1,729	1,880
Commission income on short term Murabaha deposits	512	604
	<u>7,974</u>	<u>18,460</u>

12. REINSURERS' SHARE OF OUTSTANDING CLAIMS

	2015 SR'000	2014 SR'000
Reinsurers' share of outstanding claims	<u>264,567</u>	<u>478,067</u>

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the statement of financial position date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

Amounts due from reinsurers relating to claims already paid by the Company are included in receivables, net (note 8).

13. PREPAID EXPENSES AND OTHER ASSETS

Insurance operations:	2015 SR'000	2014 SR'000
Prepaid employee benefits and others	6,217	6,106
Deferred expenses	3,181	4,107
Prepaid rent	3,960	3,374
Advances to employees	97	676
Advances to suppliers	1,292	550
Accrued commission receivable	1,880	380
Guarantee deposits	300	300
Others	1,535	917
Total	<u>18,462</u>	<u>16,410</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

14. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements SR'000	Computer hardware SR'000	Computer software SR'000	Furniture and fixtures SR'000	Office equipment SR'000	Motor vehicles SR'000	Capital Work in progress SR'000	Total 2015 SR'000
Cost								
At the beginning of the year	12,580	9,300	3,325	3,666	2,524	84	171	31,650
Additions	329	912	-	76	295	-	-	1,612
Transfers	171						(171)	-
At the end of the year	13,080	10,212	3,325	3,742	2,819	84	-	33,262
Accumulated depreciation								
At the beginning of the year	10,212	7,616	1,628	1,851	2,214	84	-	23,605
Charge during the year	1,269	806	332	372	202	-		2,981
At the end of the year	11,481	8,422	1,960	2,223	2,416	84	-	26,586
Net book value								
December 31, 2015	1,599	1,790	1,365	1,519	403	-	-	6,676

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

14. PROPERTY AND EQUIPMENT, NET (Continued)

	Leasehold improvements SR '000	Computer hardware SR '000	Computer software SR '000	Furniture and fixtures SR '000	Office equipment SR '000	Motor vehicles SR '000	Capital work in progress SR '000	Total 2014 SR '000
Cost								
At the beginning of the year	12,373	8,152	3,323	3,543	2,341	84	475	30,291
Additions	64	927	2	123	72	-	171	1,359
Transfers	143	221	-	-	111	-	(475)	-
At the end of the year	12,580	9,300	3,325	3,666	2,524	84	171	31,650
Accumulated depreciation								
At the beginning of the year	8,601	6,449	1,296	1,489	1,971	84	-	19,890
Charge during the year	1,611	1,167	332	362	243	-	-	3,715
At the end of the year	10,212	7,616	1,628	1,851	2,214	84	-	23,605
Net book value December 31, 2014	2,368	1,684	1,697	1,815	310	-	171	8,045

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

15. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Agency ('SAMA'), the Company has deposited 10 percent of its share capital, amounting to SR 30 million in a bank designated by SAMA. The statutory deposit is maintained with a local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the commission income on this deposit.

16. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

i) Insurance operations:

Claims payable, accrued expenses and other liabilities of the insurance operations comprise of the following:

	<i>Note</i>	2015 SR'000	2014 SR'000
Claims payable		49,844	63,897
Commissions payable		42,172	49,909
Provision for reinsurance withholding tax		19,943	13,307
Accrued employees' salaries and other benefits		8,769	10,912
End-of-service benefits	<i>16.1</i>	9,865	10,194
Accrued vacation allowance		2,066	4,872
Accrued SAMA inspection fees		1,083	3,082
Advances received from customers		18,415	2,603
Accounts payable - GOSI and others		908	1,172
Accrued CCHI inspection fees		916	867
Accrued professional fees		587	320
Accounts payable – administrative		253	228
Other liabilities		21,123	17,255
		175,944	178,618

ii) Shareholders' operations:

	2015 SR'000	2014 SR'000
Due to founding shareholders	255	256
Others	300	300
	555	556

16.1 END-OF-SERVICE BENEFITS

During the year, the Company has valued the provision for end of service benefits using the Projected Unit Credit ("PUC") method. This involves projecting benefits to leaving service, retirement or death allowing for probabilities of reaching those states, also allowing for salary escalation over time, and then discounting those benefits to the valuation date.

The effect of using PUC method has been recognized in the current year as the impact on previous years was not material.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

16.1 END-OF-SERVICE BENEFITS (continued)

Movement of end of service benefits:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
At the beginning of the year	10,194	6,794
Charge for the year	1,454	4,005
Paid during the year	(1,783)	(605)
	<hr/>	<hr/>
At the end of the year	<u>9,865</u>	<u>10,194</u>

Actuarial assumptions:

The following were the principal actuarial assumptions at the reporting date:

	<u>2015</u>
Discount rate	6%
Salary escalation	5%
Average expected remaining years of service	11.5 years

Sensitivity analysis:

A 50 basis point change to above stated actuarial assumptions, keeping all other assumptions same, have negligible impact on the financial statements.

17. ZAKAT

The estimated zakat base of the Company, which is subject to adjustments under zakat regulations, consists of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Share capital	300,000	300,000
Loss before zakat	(1,883)	(6,212)
Property and equipment, net	(15,725)	(16,738)
Adjusted available for sale investments	(6,605)	(19,230)
Statutory deposit	(30,000)	(30,000)
(Accumulated losses) retained earnings	(15,143)	(9,071)
Provision for reinsurance withholding tax	19,943	13,307
Provision for doubtful receivables	35,600	34,600
Accrued end-of-service benefits	9,865	10,194
	<hr/>	<hr/>
Estimated zakat base	<u>296,052</u>	<u>276,850</u>

The movement in the zakat provision is as follows:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
At the beginning of the year	17,121	15,119
Charge for the year	8,000	7,500
Paid during the year	(6,198)	(5,498)
	<hr/>	<hr/>
At the end of the year	<u>18,923</u>	<u>17,121</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

17. ZAKAT (continued)

Status of assessments

The Company has filed the zakat declarations for the years up to 2014 with the Department of Zakat and Income Tax (DZIT); however, the related assessments have not yet been finalized

18. SHARE CAPITAL AND STATUTORY RESERVE

The share capital of the Company as at 31 December 2015 is SR 300 million (31 December 2014: SR 300 million) divided into 30 million (31 December 2014: 30 million) shares of SR 10 each.

In accordance with the Company's Articles of Association and in compliance with Article 70 (2g) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company. No amount has been allocated to reserve as the Company has incurred a loss for the year.

19. OPERATING AND ADMINISTRATIVE SALARIES

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Basic salaries	40,947	35,926
Housing allowances	9,652	8,752
Staff bonus	3,000	6,000
Transportation allowances	6,494	5,791
Insurance	4,870	4,678
End-of-service benefits	1,454	4,005
Social security charges	3,767	3,053
Others	1,822	4,484
	<u>72,006</u>	<u>72,689</u>

20. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Occupancy charges	7,022	6,839
Inspection fees	9,785	6,618
Professional fees	3,729	4,136
Depreciation expense (note 14)	2,981	3,715
Advertisement and promotion	752	1,778
Withholding tax	7,972	2,275
Office supplies	1,521	1,403
Communication expenses	1,613	1,351
Training and development	404	1,979
Charge/ (reversal) for bad debt (note 8)	1,000	(5,317)
Others	8,126	6,554
	<u>44,905</u>	<u>31,331</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

21. LOSS PER SHARE

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

Diluted loss per share are the same as basic loss per share as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management.

The transactions with related parties and the related amounts are as follows:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Gross premiums written to companies related to the members of Board of Directors (BOD)	4,229	373
Commission charged by a brokerage firm related to a BOD member	3	24
Commission charged by a brokerage firm related to key management personnel	-	6
Gross premiums received from BOD members	24	63
Gross claims paid to companies related to BOD members	33	(1)
Gross claims paid to BOD members	(5)	8
Board of Directors' and committees meeting fees	216	189
Net reinsurance premiums paid to a reinsurance brokerage firm related to a BOD member	1,536	486
Net reinsurance claims received from a reinsurance brokerage firm related to a BOD member	50	853
Board of directors' remuneration	1,020	1,140

Due to/from related parties as at December 31, 2015 and December 31, 2014 comprise of the following:

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Net reinsurance balance receivable from a reinsurance brokerage firm related to a BOD member	2	621
Premiums receivable from companies related to BOD members	3,205	96
Commission receivable (payable) to a brokerage firm related to a BOD member	-	12
Commission receivable (payable) to a brokerage firm related to a member of key management personnel	-	9
Premium receivables from a BOD member	-	39

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

22.1 Remuneration and compensation of BOD members and key management personnel

	Board of Director members (Non- executives)	Key management personnel including the CEO and CFO
2015	SR'000	
Salaries and compensation	-	8,396
Allowances	216	9
Annual remuneration	1,020	1,400
	<u>1,236</u>	<u>9,805</u>
2014	SR'000	
Salaries and compensation	-	7,509
Allowances	189	14
Annual remuneration	1,140	1,080
	<u>1,329</u>	<u>8,603</u>

23. CONTINGENT LIABILITIES

As at December 31, 2015, the Company has contingent liabilities in the form of letters of guarantees issued by banks amounting to SR 15.39 million (December 31, 2014: SR 11.91 million).

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction 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 Company's financial assets consist of cash and cash equivalents, receivables, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

24. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial 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 table below presents the financial instruments at their fair values as at December 31, 2015 and December 31, 2014 based on the fair value hierarchy. 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 of fair value.

2015	Carrying Amount (SAR'000)	Level 1	Level 2	Total
Insurance Operations:				
<u>Available for sale financial assets</u>				
Mutual Funds	6,475	-	6,475	6,475
Sukuks	30,394	20,383	10,011	30,394
	36,869	20,383	16,486	36,869
Shareholders' Operations:				
<u>Available for sale financial assets</u>				
Equities	42,467	42,467	-	42,467
Mutual Funds	54,984	-	54,984	54,984
Sukuks	75,533	25,479	50,054	75,533
	172,984	67,946	105,038	172,984
	209,853	88,329	121,524	209,853
2014				
Insurance Operations:				
<u>Available for sale financial assets</u>				
Mutual Funds	5,030	-	5,030	5,030
Sukuks	30,273	20,262	10,011	30,273
	35,303	20,262	15,041	35,303
Shareholders' Operations:				
<u>Available for sale financial assets</u>				
Equities	50,442	50,442	-	50,442
Mutual Funds	62,096	-	62,096	62,096
Sukuks	75,383	25,327	50,056	75,383
	187,921	75,769	112,152	187,921
	223,224	96,031	127,193	223,224

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

24. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The fair values of all other financial assets and liabilities which are carried at cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and on account of the short duration of the assets and liabilities.

Transfer between level 1 and level 2

There were no transfers between the levels of fair value hierarchies during the year.

Level 2 valuation technique:

Level 2 investments comprise investment in private equity funds and debt instruments. The fair value of private equity funds computed is based on the funds latest reported net asset value as at the financial position date. Further, the debt instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value. The carrying values as at December 31, 2015 and December 31, 2014 approximate their fair value.

25. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment results do not include commission on short term Murabaha deposits.

Segment assets do not include insurance operations' cash and cash equivalents, short term Murabaha deposits, available for sale investments, receivables, prepaid expenses and other assets and property and equipment.

Segment liabilities do not include reinsurers' balances payable, accrued expenses and other liabilities, surplus distribution payable and due to shareholders.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

25. SEGMENT INFORMATION (continued)

Operating segments

For the year ended December 31, 2015

Operating segments	Property SR'000	Engineering SR'000	Motor SR'000	Medical SR'000	Others SR'000	Total SR'000
Insurance operations						
Gross written premiums	80,367	43,757	1,585,736	91,653	61,965	1,863,478
Reinsurance ceded premiums	(69,857)	(42,005)	(197,648)	-	(30,185)	(339,695)
Net written premiums	10,510	1,752	1,388,088	91,653	31,780	1,523,783
Net earned premiums	10,597	1,796	1,594,635	98,875	15,371	1,721,274
Reinsurance commissions	18,781	11,554	15,337	-	10,810	56,482
Other income	79	46	8,930	888	123	10,066
Net incurred claims	1,128	(232)	(1,423,434)	(56,102)	(6,830)	(1,485,470)
Other costs	(9,612)	(3,132)	(169,909)	(9,780)	(6,705)	(199,138)
Depreciation	(129)	(70)	(2,537)	(147)	(98)	(2,981)
Operating and administrative salaries and other general and administrative expenses	(4,913)	(2,675)	(96,948)	(5,603)	(3,791)	(113,930)
Surplus / (deficit) from insurance operations	15,931	7,287	(73,926)	28,131	8,880	(13,697)
Commission on short Murabaha deposits						5,300
Deficit from insurance operations						(8,397)

For the year ended December 31, 2014

Operating segments	Property SR'000	Engineering SR'000	Motor SR'000	Medical SR'000	Others SR'000	Total SR'000
Insurance operations						
Gross written premiums	77,951	47,907	1,159,181	86,743	41,059	1,412,841
Reinsurance ceded premiums	(74,181)	(43,627)	-	-	(29,279)	(147,087)
Net written premiums	3,770	4,280	1,159,181	86,743	11,780	1,265,754
Net earned premiums	3,679	3,871	829,931	186,888	9,114	1,033,483
Reinsurance commissions	15,347	8,718	-	-	7,751	31,816
Other income	121	79	5,503	12,456	116	18,275
Net incurred claims	(401)	(49)	(842,682)	(80,439)	(3,484)	(927,055)
Other costs	(6,226)	(2,835)	(45,116)	(21,513)	(2,842)	(78,532)
Depreciation	(206)	(126)	(3,049)	(228)	(106)	(3,715)
Operating and administrative salaries and other general and administrative expenses	(5,533)	(3,401)	(82,297)	(6,159)	(2,915)	(100,305)
Surplus/ (Deficit) / from insurance operations	6,781	6,257	(137,710)	91,005	7,634	(26,033)
Commission on short Murabaha deposits						2,938
Deficit from insurance operations						(23,095)

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

25. SEGMENT INFORMATION (Continued)

As at December 31, 2015

	Property SR'000	Engineering SR'000	Motor SR'000	Medical SR'000	Others SR'000	Total SR'000
Insurance operations' assets						
Reinsurers' share of unearned premiums	21,695	25,812	132,138	-	9,079	188,724
Reinsurers' share of outstanding claims	167,881	29,492	43,859	-	23,335	264,567
Deferred policy acquisition costs	1,768	1,312	38,969	1,724	3,354	47,127
Unallocated assets	-	-	-	-	-	1,108,642
Total assets						1,609,060
Insurance operations' liabilities						
Unearned premiums	22,175	26,917	367,592	29,037	30,167	475,888
Unearned reinsurance commission	6,341	8,058	16,517	-	3,043	33,959
Outstanding claims	169,812	33,001	483,049	14,165	32,869	732,896
Unallocated liabilities	-	-	-	-	-	366,317
Total liabilities						1,609,060

As at December 31, 2014

	Property SR'000	Engineering SR'000	Motor SR'000	Medical SR'000	Others SR'000	Total SR'000
Insurance operations' assets						
Reinsurers' share of unearned premiums	26,065	22,448	-	-	11,415	59,928
Reinsurers' share of outstanding claims	408,157	43,367	6,755	-	19,788	478,067
Deferred policy acquisition costs	2,139	1,699	36,294	1,989	1,616	43,737
Unallocated assets	-	-	-	-	-	1,048,364
Total assets						1,630,096
Insurance operations' liabilities						
Unearned premiums	26,632	23,597	442,000	36,259	16,095	544,583
Unearned reinsurance commission	6,428	6,975	-	-	3,562	16,965
Outstanding claims	412,952	46,948	338,710	19,112	25,914	843,636
Unallocated liabilities	-	-	-	-	-	224,912
Total liabilities						1,630,096

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT

Risk governance

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

Risk management structure

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

Board of directors

The apex of risk governance is the centralized oversight of 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.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

26.1 Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

A significant portion of reinsurance business ceded is placed on a proportional basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognized, while significant enough deterioration in estimates is immediately recognized to make the liabilities adequate.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on net liabilities and net income.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

Sensitivities (Continued)

December 31, 2015	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10% - 10%	172,127 (172,127)	(172,127) 172,127
December 31, 2014	Change in assumptions	Impact on net liabilities SR'000	Impact on net income SR'000
Ultimate loss ratio	+ 10% - 10%	103,348 (103,348)	(103,348) 103,348

26.2 Reinsurance risk

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

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

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

- Minimum acceptable credit rating by recognized rating agencies that is not lower than BBB.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer.

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's board of directors and Reinsurance Committee before approving them for exchange of reinsurance business.

26.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

26.4 Commission rate risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates in the currencies in which its cash and cash equivalents and investments are denominated.

A hypothetical 100 basis points change in the effective commission rates of the floating rate financial assets balances at December 31, 2015 for the policyholders and shareholders would impact commission income annually by approximately SR 7.01 million (2014: SR 4.93 million) and SR 1.30 million (2014: SR 1.45 million) respectively, in aggregate.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.4 Commission rate risk (Continued)

Maturities of the Company's investments as at December 31, 2015 and December 31, 2014 are as follows:

2015	Commission bearing			Non-	Total
	Less than 1 year SR'000	1 to 5 years SR'000	Over 5 years SR'000	commission bearing SR'000	
Insurance operations					
Cash and cash equivalents	455,000	-	-	83,794	538,794
Short term Murahaba deposits	235,766	-	-	-	235,766
Available for sale investments	-	-	10,011	26,858	36,869
December 31, 2015	690,766	-	10,011	110,652	811,429
Shareholders' operations					
Cash and cash equivalents	80,000	-	-	324	80,324
Short term Murahaba deposits	-	-	-	-	-
Available for sale investments	-	-	50,054	124,853	174,907
December 31, 2015	80,000	-	50,054	125,177	255,231

2014	Commission bearing			Non-	Total
	Less than 1 year SR'000	1 to 5 years SR'000	Over 5 years SR'000	commission bearing SR'000	
Insurance operations					
Cash and cash equivalents	432,500	-	-	24,754	457,254
Short term Murahaba deposits	50,621	-	-	-	50,621
Available for sale investments	-	-	10,011	25,292	35,303
December 31, 2014	483,121	-	10,011	50,046	543,178
Shareholders' operations					
Cash and cash equivalents	79,500	-	-	18	79,518
Available for sale investments	15,000	-	-	-	15,000
		-	50,056	141,950	192,006
December 31, 2014	94,500	-	50,056	141,968	286,524

There is no significant difference between contractual re-pricing and maturity dates.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.5 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 assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the balance sheet.

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 ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the investment officer in accordance with the investment policy established by the board of directors.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, private banking and counterparties having strong balance sheets and credit ratings.
- There are no significant concentrations of credit risk within the Company except as disclosed in note 8.

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

	2015	2014
	<u>SR'000</u>	<u>SR'000</u>
Insurance operations' assets		
Cash and cash equivalents	538,709	457,216
Short term Murabaha deposits	235,766	50,621
Available for sale investments	30,394	30,273
Receivables, net	263,678	457,636
Reinsurers' share of outstanding claims	264,567	478,067
	<u>1,333,114</u>	<u>1,473,813</u>
Shareholders' assets		
Cash and cash equivalents	80,324	79,518
Short term Murabaha deposits	-	15,000
Available for sale investments	75,533	75,383
Statutory deposit	30,000	30,000
Prepaid expenses and other assets	1,078	467
	<u>186,935</u>	<u>200,368</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.5.1 Credit quality

The credit quality of the financial assets is as follows:

Credit quality	Credit Rating *	Insurance Operations		Shareholders operations	
		2015 SR'000	2014 SR'000	2015 SR'000	2014 SR'000
Cash and cash equivalents					
Very strong	A - to A+	538,794	457,254	80,324	79,518
Satisfactory	BBB +	-	-	-	-
Unrated	Unrated	-	-	-	-
		<u>538,794</u>	<u>-</u>	<u>80,324</u>	<u>79,518</u>
Short term murabaha deposits					
Very strong	A - to A+	235,766	50,621	-	15,000
Satisfactory	BBB +	-	-	-	-
Unrated	Unrated	-	-	-	-
		<u>235,766</u>	<u>50,621</u>	<u>-</u>	<u>15,000</u>
Investments					
Very strong	A - to A+	30,394	30,273	107,274	114,954
Satisfactory	BBB +	-	-	715	860
Unrated	Unrated	6,475	5,030	66,918	76,192
		<u>36,869</u>	<u>35,303</u>	<u>174,907</u>	<u>192,006</u>

* Credit rating source: Standards and Poor

All other financial assets are unrated.

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturities of the Company's undiscounted contractual obligations. As the Company does not have any commission bearing liabilities, the amounts in the table match the amounts in the statement of financial position:

2015	SR '000		
	Less than 12 months	More than 12 months	Total
Insurance operations' liabilities			
Surplus distribution payable	8,301	-	8,301
Reinsurers' balances payable	180,203	-	180,203
Outstanding claims	732,896	-	732,896
Claims payable, accrued expenses and other liabilities	166,079	9,865	175,944
	<u>1,087,479</u>	<u>9,865</u>	<u>1,097,344</u>
Shareholders' liabilities			
Accrued expenses and other liabilities	555	-	555
	<u>555</u>	<u>-</u>	<u>555</u>
2014	SR '000		
	Less than 12 months	More than 12 months	Total
Insurance operations' liabilities			
Surplus distribution payable	8,301	-	8,301
Reinsurers' balances payable	37,690	-	37,690
Outstanding claims	843,636	-	843,636
Claims payable, accrued expenses and other liabilities	168,424	10,194	178,618
	<u>1,058,051</u>	<u>10,194</u>	<u>1,068,245</u>
Shareholders' liabilities			
Accrued expenses and other liabilities	556	-	556
	<u>556</u>	<u>-</u>	<u>556</u>

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.7 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's available for sale quoted investments amounting to SAR 88.3 million (December 31, 2014: SR 96.0 million) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

A hypothetical 10 percent change in market prices of available for sale quoted investments would impact the net results and shareholders' equity as follows:

SR'000	Price change	Fair value	Effect on shareholders' equity
December 31, 2015	10% increase	97,162	8,833
	10% decrease	79,496	(8,833)
December 31, 2014	10% increase	105,634	9,603
	10% decrease	86,428	(9,603)

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2015. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

26.8 Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balances. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital, reserves net of accumulated losses.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. According to the article, the Company shall maintain a solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2015 the Company's solvency margin is below the limits prescribed by SAMA. However this has no impact on company's ability to continue as a going concern. The Board of Directors and management has taken necessary steps to ensure that solvency requirements are complied with.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.9 Regulatory framework risk

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 reinsurance companies and to enable them to meet unforeseen liabilities as these arise.

26.10 Geographical concentration of risk

All of the Company's insurance risk relates to insurance policies are written in the Kingdom of Saudi Arabia.

26.11 Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor. Approximately 53% of the gross written premiums arises from one major customer.

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

The Company operates in the Kingdom of Saudi Arabia and substantially all of the insurance risk relate to policies written in the Kingdom of Saudi Arabia.

26.12 Sources of uncertainty in estimation of future claim payments

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of claim related reserves are given under note 4.

MALATH COOPERATIVE INSURANCE & REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

26. RISK MANAGEMENT (Continued)

26.13 Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve arising as a result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. The details of liability adequacy test are given under note 4.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 01 Jumaada Al Awal 1437 corresponding to February 10, 2016. The annual general assembly of the shareholders have the power to amend the financial statements after they have been issued.

This page is intentionally left blank

