

Wataniya Insurance Company is a Saudi joint stock company established in accordance with Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and Resolution No. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G), and registered under Commercial Registration number 4030200981, dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah.

The Rights Issue consists of the issuance of (10,000,000) ten million Ordinary New Shares of Wataniya Insurance Company's total share capital with a nominal value of (SAR10) ten Saudi Riyals per share through a rights issue offering representing a capital increase of (SAR100,000,000) one hundred million Saudi Riyals, representing 100% of the issued share capital of the Company.

Offering (10,000,000) ten million ordinary shares of Wataniya Insurance Company at a price of (SAR10) ten Saudi Riyals per share through a Rights Issue representing a capital increase of (SAR100,000,000) one hundred million Saudi Riyals, representing 100% of the issued share capital of the Company.

**First Offering Period: From 06/11/1437H (corresponding to 09/08/2016G) to 15/11/1437H (corresponding to 18/08/2016G)**

**Second Offering Period: From 18/11/1437H (corresponding to 21/08/2016G) to 20/11/1437H (corresponding to 23/08/2016G)**

Wataniya Insurance Company (hereinafter the "Company" or "Wataniya") is a Saudi Arabian public joint stock company established in accordance with Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and Resolution No. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G), and registered under Commercial Registration number 4030200981, dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah.

The Company's current share capital is (SAR100,000,000) one hundred million Saudi Riyals consisting of (10,000,000) ten million ordinary shares with a nominal value of (SAR10) ten Saudi Riyals per share (referred to collectively as "Current Shares" and each a "Current Share"), all of which are fully paid.

The Company's Board of Directors recommended in its meeting held on 26/06/1436H (corresponding to 15/04/2015G) that the Company's capital be increased from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals after obtaining the necessary regulatory approvals. The Company's capital increase was approved by the Saudi Monetary Agency ("SAMA") pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G).

On 26/10/1437H (corresponding to 31/07/2016G), the Company's Extraordinary General Assembly ("EGM") authorized the Company to increase its share Capital through a rights issue (the "Offering"). The Rights Issue will be of (10,000,000) ten million new ordinary shares (referred to as the "Rights Issue Shares" or the "New Shares"), with an offering value of (SAR10) ten Saudi Riyals each ("Offer Price") to increase the Company's Share Capital from (SAR100,000,000) one hundred million Saudi Riyals to (SAR 200,000,000) two hundred million Saudi Riyals consisting of (20,000,000) twenty million shares with a nominal value of (SAR10) ten Saudi Riyals each.

The Offering will consist of tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company's Shareholders Register (referred to collectively as "Registered Shareholders" and each a "Registered Shareholder") as at the close of trading on the date of the Offering EGM, being on 26/10/1437H (corresponding to 31/07/2016G) (the "Eligibility Date"), provided that such Rights are deposited in the account of each Registered Shareholder within two days of the Eligibility Date in the ratio of (1) one Right for every (1) one Share, and that each Right shall grant its holder the right to subscribe for one new Share at the Offering Price.

Registered Shareholders and institutional and individual investors from the public may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 06/11/1437H (corresponding to 09/08/2016G) until the close of Trading on Thursday 15/11/1437H (corresponding to 18/08/2016G) (the "Trading Period").

The subscription for the New Shares will be in two phases:

- 1. First Offering Period:** From Tuesday 06/11/1437H (corresponding to 09/08/2016G) until the close of trading on Thursday 15/11/1437H (corresponding to 18/08/2016G) (the "First Offering Period"). During this period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the convention of the EGM. Subscription for the New Shares shall only be approved for the number of qualified shares, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period shall coincide with the Trading Period, during which Registered Shareholders and public institutional and individual investors may trade in the Rights.
- 2. Second Offering Period:** From Sunday 18/11/1437H (corresponding to 21/08/2016G) until the close of trading on Tuesday 20/11/1437H (corresponding to 23/08/2016G) (the "Second Offering Period"). During which all Rights holders, whether Registered Shareholders or public institutional and individual investors, who purchased Rights during the Trading Period (referred to collectively as "Eligible Persons" and each an "Eligible Person"), may exercise their Rights to subscribe for the New Shares, and no trading of Rights shall be permitted during this Period.

Subscription Application Forms may be submitted during both the First Offering Period and the Second Offering Period at any of the branches of the Receiving Agents (the "Receiving Agents") listed on page (ix) of this Prospectus.

In the event that any Shares remain unsubscribed for after the First and the Second Offering Periods (the "Rump Shares"), they will be offered at the offer price as the minimum price, to a number of institutional investors (the "Institutional Investors"). This is provided that such Institutional Investors submit offers to purchase the Rump Shares from 10:00 am on Sunday 25/11/1437H (corresponding to 28/08/2016G) to 10:00 am on the following day on 26/11/1437H (corresponding to 29/08/2016G) (with such offering referred to as the "Rump Offering").

The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered by the relevant Institutional Investor with Shares being allocated on a proportional basis among those Institutional Investors that tendered offers at the same price. As for fractional entitlements to Shares, they will be added to, and be treated the same as, the Rump Shares. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company, and any the remaining proceeds of the sale and of the Fractional Shares (in excess of the Offer Price) shall be distributed to the Eligible Persons no later than 04/12/1437H (corresponding to 05/09/2016G).

In the event that any Rump Shares are not purchased by the Institutional Investors, such Shares will be allocated to the Underwriters, who will purchase such Shares at the Offer Price (please see "Subscription Terms and Conditions" section). After completion of the Subscription, the Company's share capital will become (SAR200,000,000) two hundred million Saudi Riyals divided into (20,000,000) twenty million ordinary Shares. The net proceeds of the Subscription will be mainly utilized by the Company to raise the solvency rates and margins to meet the solvency requirements. Such proceeds will also be utilized to fund the replacement of current IT system with a more advanced system, the restructuring process of some of the Company's work procedures and the increase of the Statutory Reserve required by SAMA as a result of the Capital Increase (please see "Use of Proceeds" section). The final allocation will be announced no later than 28/11/1437H (corresponding to 31/08/2016G) ("Allocation Date") (please see "Subscription Terms and Conditions" section). The Offering is fully underwritten by Arab National Investment Company and Saudi Hollandi Capital (please see "Underwriting" section).

No shareholder of the Company holds a controlling interest, and no shareholder holds, directly or indirectly, 5% or more of the Company's shares, except for the following major shareholders: Saudi National Insurance Company BSC (which directly holds 27.50% of the Company's shares), Saudi Hollandi Bank (which directly holds 20.00% of the Company's shares), Neue Rückversicherungs-Gesellschaft (NewRe) (which directly holds 10.00% of the Company's shares), E.A. Juffali & Brothers (which directly and indirectly holds 24.94% of the Company's shares), Munich Reinsurance (which indirectly holds 16.19% of the Company's shares), RBS N.V. (previously ABN AMRO N.V.) (which indirectly holds 8.00% of the Company's shares), RBS Holdings N.V. (which indirectly holds 8.00% of the Company's shares), RFS Holdings B.V. (which indirectly holds 8.00% of the Company's shares), The Royal Bank of Scotland Group (which indirectly holds 7.82% of the Company's shares), the English Government (which indirectly holds 5.70% of the Company's shares) and Ali Abdullah Juffali (who indirectly holds 5.98% of the Company's shares), as described in page (xiv) of this prospectus.

The Company has one class of shares, which is ordinary shares having no preferential rights. The new shares will be fully paid and will equal exactly the existing shares. Each Share entitles its holder to one vote and each shareholder in the Company ("Shareholder") with at least (20) twenty Shares has the right to attend and vote at the general assembly meetings ("General Assembly"). The new shares will be entitled to receive their portion of any dividends declared by the Company as of the date of offering and for the following fiscal years, if any (please see "Dividend Policy" and "Risk Factors" sections).

The Company listed (10,000,000) ten million ordinary shares with the Saudi Stock Exchange (Tadawul) through offering such shares for subscription on 06/04/1431H (corresponding to 22/03/2010G), and the founding shareholders subscribed for 70% of such shares. The remaining 30% of the shares were offered for public offering. The Company's Shares are currently being traded on the Saudi Stock Exchange ("Tadawul" or the "Exchange"). The Company has applied to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for admission and approval of the New Shares, and all requirements have been met. Trading in the New Shares is expected to commence on the Exchange soon after the allocation of the new Shares and refunding the oversubscribed monies (please see "Key Dates for Subscribers" section). Following admission of the New Shares to listing, Saudi nationals and regular residents, nationals of other GCC countries, Saudi companies, banks and funds, as well as non-Saudi individuals who live abroad, non-Saudi natural persons who are not residents in the Kingdom, and institutions incorporated outside the Kingdom, through a swap agreement with a person authorized by the CMA, may trade in such shares.

Eligible Shareholders interested in purchasing the new shares should carefully read the "Important Notice" and "Risk Factors" sections of this Prospectus before taking a decision with regard to investment in the Shares offered for subscription under this Prospectus.

## Financial Advisor and Lead Manager



## Underwriters



## Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority in the Kingdom of Saudi Arabia (the "CMA"). 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. The CMA and the Saudi Stock Exchange ("Tadawul") 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.

This Prospectus was issued on 26/10/1437H (corresponding to 31/07/2016G).

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



## Important Notice

This Prospectus provides detailed information relating to Wataniya Insurance Company and the rights issue shares offered for subscription. When applying for the New Shares, investors 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, lead manager and the branches of the Receiving Agents or by visiting the Company's website ([www.wataniya.com.sa](http://www.wataniya.com.sa)), Saudi Arabian Capital Market Authority's website ([www.cma.org.sa](http://www.cma.org.sa)), the Financial Advisor's (Arab National Investment Company) website ([www.anbinvest.com.sa](http://www.anbinvest.com.sa)), or by visiting websites of Receiving Agents.

The Company has appointed Arab National Investment Company to act as the Financial Advisor (the "Financial Advisor") and the Lead Manager (the "Lead Manager") and has appointed Arab National Investment Company and Saudi Hollandi Capital to be the Underwriters (the "Underwriters") in relation to the offering of rights issue shares to increase the Company's Capital referred to herein.

This prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") of the CMA. 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. The Authority and 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 to ascertain the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of information related to the market and industry in which the Company conducts business contained herein, are derived from external sources, and while none of the Company, its Directors, Founding Shareholders, Financial Advisor, or any of 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 information related to the market and industry is materially inaccurate. Such information, however, has not been independently verified. Therefore, no representation or statement is made with respect to the accuracy or completeness of this information.

The information contained in this Prospectus, as at the date hereof, is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments related to inflation, interest rates, taxation or other economic and political factors, over which the Company has no control (please see "Risk Factors" section). Neither the delivery of this Prospectus nor any oral, written or printed communication in relation to the new Shares offered for subscription 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.

This Prospectus shall not be regarded as a recommendation on the part of the Company or any of its Directors or Advisors to participate in the Subscription. 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 professional advice from a financial Advisor licensed by CMA in relation to the Offering to examine the appropriateness of the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offering is directed at the Registered Shareholders and other public institutional and individual investors during the period from 06/11/1437H (Corresponding to 09/08/2016G) to 20/11/1437H (Corresponding to 23/08/2016G) provided that the subscription for the New Shares shall be carried out through two periods:

- 1- **First Offering Period:** From 06/11/1437H (corresponding to 09/08/2016G) to the close of trading on 15/11/1437H (corresponding to 18/08/2016G) (the "First Offering Period"). During this period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. Subscription for the New Shares will only be approved for the number of qualified shares, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period, during which Registered Shareholders and public institutional and individual investors may trade in the Rights.
- 2- **Second Offering Period:** From 18/11/1437H (corresponding to 21/08/2016G) to the close of trading on 20/11/1437H (corresponding to 23/08/2016G) (the "Second Offering Period"). During which all Rights' holders, whether Registered Shareholders or public institutional and individual investors, who purchased Rights during the Trading Period (referred to collectively as "Eligible Persons" and each an "Eligible Person"), may exercise their Rights to subscribe for the New Shares, and no trading of Rights will be permitted during this Period.

In the event that any Shares remain unsubscribed for after the First and the Second Offering Periods (the "Rump Shares"), they, as well as any fractional shares (if any), will be offered to a number of institutional investors (the "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Rump Shares between 10:00 am on Sunday 25/11/1437H (corresponding to 28/08/2016G) and 10:00 am on the following day on 26/11/1437H (corresponding to 29/08/2016G) (with such offering referred to as the "Rump Offering"). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered by the relevant Institutional Investor with

Shares being allocated on a proportional basis among those Institutional Investors that tendered offers at the same price. The subscription price of the new unsubscribed shares for this period will be offered at the offer price as the minimum price. In case the sale price of such shares is higher than the offer price, the difference (if any) shall be distributed as compensation to the Eligible Persons (who did not exercise their rights in the subscription) in proportion to their respective shares in the proceeds of the Rump Shares and Fractional Shares (in excess of the Offer Price) no later than 04/12/1437H (corresponding to 05/09/2016G).

## Industry and Market Data

In this Prospectus, information and data on the Saudi economy, insurance industry and market data have been obtained or derived from various publicly available sources of information believed to be reliable. The Company has made all reasonable efforts to verify the accuracy of such information. While neither the Company nor its Directors have a reason to believe that any of the market and industry information is materially inaccurate, the Company, its Directors, Financial Advisor, and the Company's Advisors, whose names appear on pages (vii) and (viii) of this Prospectus have not independently verified such information and, therefore, no representation is made with respect to the accuracy or completeness of any of this information.

The referenced sources of information include:

### The Saudi Arabian Monetary Agency ("SAMA")

Riyadh - Ma'azar Street  
P.O. Box 2992 - Riyadh 11169  
Kingdom of Saudi Arabia  
Tel: +966 11 463 3000  
Fax: +966 11 466 2966  
E-Mail: [info@sama.gov.sa](mailto:info@sama.gov.sa)  
Website: [www.sama.gov.sa](http://www.sama.gov.sa)



The information prepared by SAMA for 2014, which is used in this Prospectus, is publicly available and obtainable with no prior consent required.

### Swiss Reinsurance Company ("Swiss Re Co.")

P.O. Box 8022 Zurich - Switzerland  
Tel: +41 43 285 2121  
Fax: +41 43 285 2999  
[www.swissre.com](http://www.swissre.com)



An international pioneer company in re-insurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world, Swiss Re issues reports on the insurance sector all over the world. The information taken from the World Insurance Report, 2014 prepared by Swiss Re, which is used in the Prospectus, is publicly available and obtainable with no prior consent required. The Company reviewed this information and believes it is accurate, and that it has been accurately used for the purposes of this Prospectus.

### The Saudi Stock Exchange ("Tadawul")

Abraj Attuwenya - Northern Tower - King Fahad Road - Riyadh  
P.O. Box 60612 - Riyadh 11555  
Kingdom of Saudi Arabia  
Tel: + 966 11 2189999  
Fax: + 966 11 2189090  
E-Mail: [webinfo@tadawul.com.sa](mailto:webinfo@tadawul.com.sa)  
Website: [www.tadawul.com.sa](http://www.tadawul.com.sa)



The information prepared by The Saudi Stock Exchange ("Tadawul") for 2015G, which is used in this Prospectus, is publicly available and obtainable with no prior consent required.

## Financial Information

The audited financial statements of the Company for the fiscal years that ended 31 December 2013G, 31 December 2014G and 31 December 2015G and the notes thereto, which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the international financial reporting standards and audited in accordance with KSA reporting standards approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company's financial statements for the financial years that ended 31 December 2013G and 31 December 2014G were audited by Deloitte & Touche Bakr Abulkhair & Co. and PricewaterhouseCoopers. The financial statements for the financial year that ended 31 December 2015G were audited by Ernst & Young and PricewaterhouseCoopers. All amounts in the financial statements released by the Company are in Saudi Riyals.

This Prospectus contains measures not in conformity with generally accepted accounting principles, including: total gross underwritten premiums growth rate, total net claims paid for gross underwritten premiums, net loss ratio, outsourcing percentage, retention percentage, expenses percentage, percentage of commission paid to total insurance premiums, liquidity margin cover and net loss ratio. The Company uses such measures to evaluate its performance, and they will be included in the additional financial information in this Prospectus. Such information was not prepared in conformity with International Financial Reporting Standards, and, therefore, shall be considered supplementary to the financial statements.

Investors should not rely on this information and should note that the Company's calculation of the total gross underwritten premiums growth rate, total net claims paid for gross underwritten premiums, net loss ratio, outsourcing percentage, retention percentage, expenses percentage, percentage of commission paid to total insurance premiums, liquidity margin cover and net loss ratio may relatively vary from other measures under the same names formerly or currently in use by other companies.

## Forecasts and Forward-looking Statements

Forecasts and forward-looking statements 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 affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that statements contained herein are based on professional due diligence. Certain statements in this Prospectus constitute "forward-looking statements". Such forward-looking statements can be identified by the use of some words such as "plans", "estimates", "believes", "expects", "may", "might", "intends", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance as there are many factors that could affect the actual performance, achievements or results of the Company and cause them to be significantly different from what was expected, whether expressed or implied. Some of the risks and factors that may have such an effect are described in more detail in other sections of this Prospectus (please refer to "Risk Factors" section). 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 in this Prospectus as anticipated, estimated, believed, planned or assumed.

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 approved by the CMA and before admission to the Official List, the Company becomes aware that:

- 1- There has been a significant change in material matters contained in the Prospectus or any document required subject to the Listing Rules; or
- 2- Any additional significant matters have become known which would have been included in the Prospectus.

Except in the two 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 the forward-looking statements.

## Corporate Directory

### Board Members

Name	Position	Age	Nationality	Membership Status	Representing	Date of last SAMA approval	Shares Held			
							Direct Shares	Percentage-Direct	Indirect Shares	Percentage Indirect
Hatem Ali Juffali <sup>(1)</sup>	Chairman	57	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	17/03/2013G	150,000	1.5000%	108,703	1.0870%
Bernd Aloys Kohn <sup>(2)</sup>	Director	45	German	Non-executive Non-independent	Neue Rückversicherungs-Gesellschaft (NewRe)	27/02/2016G	-	-	-	-
Amin Mousa Afifi <sup>(3)</sup>	Director	56	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	27/02/2016G	-	-	-	-
Bernd van Linder <sup>(4)</sup>	Director	47	Dutch	Non-executive Non-independent	Saudi Hollandi Bank	17/03/2013G	-	-	-	-
Husam Abdul Rahman Alkhayal <sup>(4)</sup>	Director	44	Saudi	Non-executive Non-independent	Saudi Hollandi Bank	22/06/2015G	-	-	-	-
Faisal Mohammed Charara	Director	51	Saudi	Non-executive Non-independent	E.A. Juffali & Brothers	03/01/2015G	2,000	0.0200%	-	-
Osama Abdullah El Khareiji	Director	56	Saudi	Non-executive Independent	Public	17/03/2013G	1,417	0.0142%	-	-
Hussein Saeed Akeil	Director	44	Saudi	Non-executive Independent	Public	17/03/2013G	6,000	0.0600%	-	-
Faisal Mahmoud Al-Atabani	Director	50	Saudi	Non-executive Independent	Public	17/03/2013G	1,000	0.0100%	-	-
Omar Sohail Bilani <sup>(5)</sup>	Director	56	Canadian	Non-executive Independent	Public	17/03/2013G	-	-	-	-

Source: Company Management

(1) Hatem Ali Juffali owns 4.3590% of E.A. Juffali & Brothers, which holds a share of 5.0000% in the Company. E.A. Juffali & Brothers also holds a share of 72.5000% in Saudi National Insurance Company BSC, which in turns own a share of 27.5000% in the Company. Thus, Hatem Ali Juffali's indirect share in the Company is:  $(4.3590\% \times 5.0000\%) + (4.3590\% \times 27.5000\% \times 72.5000\%) = 1.08703\%$ .

(2) Swiss company Neue Rückversicherungs-Gesellschaft (NewRe) has undertaken to allocate 1,000 membership shares of its shares to its representative as qualification shares.

(3) Allocation of 1,000 membership shares to Amin Mousa Afifi is underway.

(4) Saudi Hollandi Bank has undertaken to allocate 1,000 membership shares of its shares to each of its representatives as qualification shares.

(5) Omar Sohail Bilani's membership status was changed to independent member based on SAMA's approval on 30 September 2014G. E.A. Juffali & Brothers has undertaken to allocate 1,000 membership shares of its shares to Omar Sohail Bilani as qualification shares, until the required membership shares are paid by him, which is not in conflict with the Companies Law and the Company's by-laws.

Pursuant to Article (68) of the Companies Law, each member of the Board of Directors must own a number of shares whose value shall not be less than ten thousand Saudi Riyals, which shall be set aside as a guarantee of the member's responsible management of the Company.

Pursuant to Article 38 (1) of the Implementing Regulations of the Law on Control of Cooperative Insurance Companies, no Board member shall own more than 5% of the Company's shares.

#### The Company's Address

Wataniya Insurance Company  
Medina Road, Juffali Building  
P.O. Box 5832 Jeddah 21432  
Kingdom of Saudi Arabia  
Tel: + 966 12 6606200  
Fax: + 966 12 6674530  
E-Mail: wataniya.jed@wataniya.com.sa  
Website: www.wataniya.com.sa

الوطنية للتأمين  
Wataniya Insurance 

Company Representatives		Secretary
Faisal Mohammed Charara Director Wataniya Insurance Company Medina Road, Juffali Building P.O. Box 5832 Jeddah 21432 Kingdom of Saudi Arabia Tel: +966 12 667 2222 Fax: +966 12 669 4010 E-Mail: jcofin@ejab.com.sa Website: www.wataniya.com.sa	Haitham Habib Albakree CEO Wataniya Insurance Company Medina Road - Juffali Building P.O. Box 5832 - Jeddah 51432 Kingdom of Saudi Arabia Tel: +966 12 660 6200 Fax: +966 12 667 4530 E-Mail: h.albakree@wataniya.com.sa Website: www.wataniya.com.sa	Ghassan Hamza Ali Junaid Secretary of the Board of Directors Wataniya Insurance Company Medina Road, Juffali Building P.O. Box 5832 Jeddah 21432 Kingdom of Saudi Arabia Tel: +966 12 9520 660 Fax: +966 12 4530 667 E-Mail: g.junaid@wataniya.com.sa Website: www.wataniya.com.sa

#### Stock Exchange

The Saudi Stock Exchange (Tadawul)  
Abraj Attuwenya - Northern Tower - King Fahad Road - Riyadh  
P.O. Box 60612 - Riyadh 11555  
Kingdom of Saudi Arabia  
Tel: + 966 11 2189999  
Fax: + 966 11 2189090  
E-Mail: webinfo@tadawul.com.sa  
Website: www.tadawul.com.sa

 تداول  
Tadawul

## Advisors

### Financial Advisor and Lead Manager

Arab National Investment Company  
King Faisal Street, Arab National Investment Company Building  
P.O. Box 220009 Riyadh 11311  
Kingdom of Saudi Arabia  
Tel: + 966 11 4062500  
Fax: + 966 11 4062548  
E-Mail: ipo@anbinvest.com.sa  
Website: www.anbinvest.com.sa



### Underwriters

Arab National Investment Company  
King Faisal Street, Arab National Investment Company Building  
P.O. Box 220009 Riyadh 11311  
Kingdom of Saudi Arabia  
Tel: + 966 11 4062500  
Fax: + 966 11 4062548  
E-Mail: ipo@anbinvest.com.sa  
Website: www.anbinvest.com.sa



Saudi Hollandi Capital  
Olaya Road, Olaya  
P.O. Box 1467 Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 11 4163133  
Fax: +966 11 4163133 Ext.: 5308  
E-Mail: info@shc.com.sa  
Website: www.shc.com.sa



### Legal Advisor

Meshal Al Akeel Attorney & Consultation Office  
In affiliation with Hourani & Associates  
Olaya Road, Siricon Building, 7th Floor  
P.O. Box 67356 - Riyadh 11596  
Kingdom of Saudi Arabia  
Tel: + 966 11 2931234  
Fax: + 966 11 2930051  
E-Mail: info-ksa@houraniassociates.com  
Website: www.houraniassociates.com

MESHAL AL AKEEL LAW FIRM  
IN AFFILIATION WITH



### Financial Due Diligence Advisor

KPMG Al Fozan & Partners  
Salahuddin Street, Riyadh  
P.O. Box 92876 Riyadh 11663  
Kingdom of Saudi Arabia  
Tel: +966 11 8758500  
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E-Mail: advsiorysa@kpmg.com  
Website: www.kpmg.com.sa





## Chartered Accountants

Deloitte and Touche, Bakr Abulkair & Co.(1)  
P.O. Box 442 Jeddah 21411  
Kingdom of Saudi Arabia  
Tel: + 966 12 6572725  
Fax: + 966 12 6572722  
E-Mail: info.me@deloitte.com  
Website: www.deloitte.com



PricewaterhouseCoopers (2)  
Jameel Square, Tahlia Street  
P.O. Box 16415 Jeddah 21464  
Kingdom of Saudi Arabia  
Tel: + 966 12 6104400  
Fax: + 966 12 6104411  
E-Mail: yaseen.abualkheer@sa.pwc.com  
Website: www.pwc.com/middle-east



Ernst & Young (3)  
Al Faisaliah Tower, Levels 6 & 14  
P.O. Box 2732 Riyadh 11461  
Kingdom of Saudi Arabia  
Tel: + 966 11 2734730  
Fax: + 966 11 2734740  
E-Mail: riyyadh@sa.ey.com  
Website: www.ey.com/me



- (1) Financial statements for the years that ended on 31 December 2013G and 31 December 2014G were audited by Deloitte and Touche, Bakr Abulkair & Co.
- (2) Financial statements for the years that ended on 31 December 2013G, 31 December 2014G and 31 December 2015G were audited by PricewaterhouseCoopers.
- (3) Financial statements for the year that ended on 31 December 2015G were audited by Ernst & Young.

## Actuary

Manar Sigma Financial Consulting  
PO Box: 341905 Riyadh 11333  
Kingdom of Saudi Arabia  
Tel: +966 11 2113344  
Fax: + 966 11 2112423  
Website: www.manarsigma.com



Note: All of the aforementioned Advisors have given and not withdrawn, as at the date of this Prospectus, their written consent to the publication of their names, logos and statements in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

#### Receiving Agents

##### 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  
E-mail: abinayba@anb.com.sa  
Website: www.anb.com.sa



##### National Commercial Bank

King Abdul Aziz Road  
P.O. Box 3555 Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 (12) 649 3333  
Fax: +966 (12) 643 7426  
E-Mail: contactus@alahli.com  
Website: www.alahli.com



Riyad Bank  
King Abdul Aziz Road  
P.O. Box 22622 Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 (11) 401 3030  
Fax: +966 (11) 404 2618  
E-Mail: customercare@riyadbank.com  
Website: www.riyadbank.com



Saudi Hollandi Bank  
Prince Abdulaziz Bin Musaед Bin Jlawy Street  
P.O. Box. 1467 Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 (11) 401 0288  
Fax: +966 (11) 403 1104  
E-Mail: csc@saudihollandibank.com  
Website: www.shb.com.sa



#### Main Banks of the Company

Saudi Hollandi Bank  
Prince Abdulaziz Bin Musaед Bin Jlawy Street  
P.O. Box. 1467 Riyadh 11431  
Kingdom of Saudi Arabia  
Tel: +966 (11) 401 0288  
Fax: +966 (11) 403 1104  
E-Mail: csc@saudihollandibank.com  
Website: www.shb.com.sa



## Summary of the Offering

Investors interested in investing in the Offer Shares should read the entire Prospectus before making an investment decision with respect to such Shares. The following is a summary of the Offering:

<b>The Company</b>	Wataniya Insurance Company is a Saudi joint stock company founded pursuant to Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G), in accordance with Council of Ministers Resolution No. 330, dated 16/10/1430H (corresponding to 05/10/2009G), and registered under Commercial Registration number 4030200981, dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah.		
<b>Summary of Company Activities</b>	The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations and all applicable laws and regulations in the Kingdom of Saudi Arabia, cooperative insurance activities and related services. The Company is also committed to obtain the necessary licenses from SAMA for all of its activities and products.		
<b>Substantial Shareholders</b>	Substantial Shareholders who own 5% or more of the Company's Shares, directly or indirectly, as at the date of this Prospectus:		
	<b>Major Shareholders</b>	<b>Shares</b>	<b>Ownership (%)</b>
	Saudi National Insurance Company BSC	2,750,000	27.50%
	Saudi Hollandi Bank	2,000,000	20.00%
	Neue Rückversicherungs-Gesellschaft (NewRe)	1,000,000	10.00%
	E.A. Juffali & Brothers*	2,493,750	24.94%
	Munich Reinsurance**	1,618,650	16.19%
	RBS N. V (previously ABN AMRO N. V.)*	800,000	8.00%
	RBS Holdings N. V.**	800,000	8.00%
	RFS Holdings B. V.**	800,000	8.00%
	The Royal Bank of Scotland Group**	781,760	7.82%
	The English Government**	569,903	5.70%
	Ali Abdullah Juffali**	597,864	5.98%
	*Directly and indirectly		
	**Indirectly		
<b>Nature of Offering</b>	Increasing the Company's capital through Rights Issue Offering.		
<b>Nominal Value per Share</b>	(SAR10) ten Saudi Riyals per share.		
<b>Total number of shares existing and issued prior to the Offering</b>	(10,000,000) ten million Ordinary Shares, fully paid.		
<b>Company's current capital prior to the Offering</b>	(SAR100,000,000) one hundred million Saudi Riyals.		
<b>Total number of new shares offered</b>	(10,000,000) ten million Ordinary Shares.		
<b>Total number of shares post-offering</b>	(20,000,000) twenty million Ordinary Shares.		
<b>Percentage of increase in Share Capital</b>	Company Capital to be increased by 100%.		
<b>Offering Price</b>	(SAR10) ten Saudi Riyals per share.		
<b>Total Offering value</b>	(SAR100,000,000) one hundred million Saudi Riyals.		
<b>Company Capital post Offering</b>	(SAR200,000,000) two hundred million Saudi Riyals.		
<b>Expected Offering costs</b>	(SAR7,000,000) seven million Saudi Riyals.		

<b>Net Proceeds after deduction of Offering costs</b>	(SAR93,000,000) ninety-three million Saudi Riyals.
<b>Use of the Offering Proceeds</b>	The Company intends to increase its Share Capital from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals. Net proceeds are estimated at (SAR93,000,000) ninety-three million Saudi Riyals after deduction of the Offering costs of (SAR7,000,000) seven million Saudi Riyals from the total proceeds of (SAR100,000,000) one hundred million Saudi Riyals. Offering costs include the fees of the Financial Advisor, Lead Manager, Underwriters, Legal Advisor, Financial Due Diligence Advisor and Receiving Agents as well as marketing costs and other costs related to the Offering. Net proceeds of the Offering will be mainly used by the Company to raise the solvency rates and margins to meet the solvency requirements. Proceeds will also be used to fund the replacement of the current IT system with a more advanced system, the restructuring of some of the Company's work procedures, and the increase in the Statutory Reserve required by SAMA as a result of the Capital Increase (please see "Use of Proceeds" section).
<b>Number of Underwritten new Shares</b>	(10,000,000) ten million shares.
<b>Total amount underwritten</b>	(SAR100,000,000) one hundred million Saudi Riyals.
<b>Amended price</b>	The Company's Share Price was amended at the Exchange to 26.80 Saudi Riyals per share, as at the close of trading on the date of the EGM and after approval of the capital increase by the shareholders, which represents a reduction in the Share Price by 16.80 Saudi Riyals.
<b>Eligibility Date</b>	Close of trading on the day the EGM votes on the proposed increase in the Company's capital in accordance with the Board's recommendation on 26/10/1437H (corresponding to 31/07/2016G).
<b>Allocation date</b>	Shares will be allocated on 28/11/1437H (corresponding to 31/08/2016G).
<b>Registered shareholders</b>	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM on 26/10/1437H (corresponding to 31/07/2016G).
<b>Rights issue</b>	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares offered 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 for one New Share at the Offer Price. Rights will be deposited in the accounts of the Registered Shareholders within two days after the date of the EGM. The rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. Registered Shareholders will be informed of the deposit of the Rights in their accounts.
<b>New Shares</b>	The Shares offered for subscription by the Registered Shareholders resulting from the increase of Shares issued by the Company.
<b>Rights Issue Ratio</b>	(1) one Right for every (1) one existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the existing shares.
<b>Number of Issued Rights</b>	(10,000,000) ten million rights.
<b>First Offering Period</b>	From Tuesday 06/11/1437H (corresponding to 09/08/2016G) to the close of trading on Thursday 15/11/1437H (corresponding to 18/08/2016G) (the "First Offering Period"). During this period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. Subscription for the New Shares will only be approved for the number of qualified Shares, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period, during which Registered Shareholders and public institutional and individual investors may trade in the Rights.
<b>Rights Issue Trading Period</b>	From Tuesday 06/11/1437H (corresponding to 09/08/2016G) to the end of the day on Thursday 15/11/1437H (corresponding to 18/08/2016G) during which Registered Shareholders and public institutional and individual investors may trade the Rights.
<b>Second Offering Period</b>	From Sunday 18/11/1437H (corresponding to 21/08/2016G) to the close of trading on Tuesday 20/11/1437H (corresponding to 23/08/2016G) (the "Second Offering Period"). During which all Rights' holders, whether Registered Shareholders or public institutional and individual investors, who purchased Rights during the Trading Period (referred to collectively as "Eligible Persons" and each an "Eligible Person"), may exercise their Rights to subscribe for the New Shares, and no trading of Rights will be permitted during this Period.

<b>Subscription Procedure</b>	<p>Qualifying shareholders who have interest to subscribe to the new offered shares shall complete the application forms available at the Receiving Agents and submit them to the branches of the Receiving Agents during the Subscription Period. Subscription may be made through the Internet, banking phone or ATMs to any of the Receiving Agents, provided that:</p> <ol style="list-style-type: none"> <li>1- Eligible Shareholders have a valid account with a Receiving Agent providing such services; and</li> <li>2- No amendment has been introduced to data related to the subscriber (by deletion or addition of any family member) since the latest offering he subscribed for, unless such change has been communicated to and updated by the Receiving Agent.</li> </ol>
<b>Rump Shares</b>	The New Shares which were not subscribed for during the First Offering Period and the Second Offering Period
<b>Rump Offering</b>	<p>The Rump Shares will be offered to a number of Institutional Investors ("Institutional Investors"), provided that such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Sunday 25/11/1437H (corresponding to 28/08/2016G) to the following day at 10:00 AM on 26/11/1437H (corresponding to 29/08/2016G) (such offering shall be 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, with the Rump Shares being proportionally divided among Institutional Investors that tendered at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.</p>
<b>Eligible Persons</b>	All holders of Rights, whether they are Registered Shareholders or public institutional and individual investors who purchased Rights during the Trading period.
<b>Listing of/Trading in the Rights Issue</b>	<p>"Tadawul" shall prepare the mechanisms regulating the trading of the Rights, and a symbol shall be given to the Company's Rights Issue (separate from the Company's trading symbol for the existing shares), and Registered Shareholders shall have the following options during the offering and trading period of the Rights:</p> <ul style="list-style-type: none"> <li>• Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for such;</li> <li>• Selling the Rights or a part thereof through the Exchange;</li> <li>• Purchasing additional Rights on the Exchange; and</li> <li>• Refraining from taking any action relating to the Rights, whether selling or exercising the right to subscribe for the same. In such case, the Rump Shares will be offered in the Rump Offering.</li> </ul> <p>The public institutional and individual investors may, during the Trading Period, purchase and sell Rights and (provided the Rights are held until the end of the First Offering Period) may exercise the right to subscribe for them, only during the Second Offering Period. The Tadawul system will cancel the Company's Rights Issue symbol on the Tadawul screen after the end of the Right Trading Period. Therefore, the Rights trading will end with the end of the Right Trading Period.</p>
<b>Indicative Value of the Right</b>	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 First Offering Period on its website with a 5-minute delay. The market information service providers will also publish this information, which will allow investors to be informed of the indicative value of a Right when entering the orders.
<b>Right Trading Price</b>	The price at which the Right is traded, noting that such price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
<b>Exercising Rights to Subscribe</b>	<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 such Receiving Agents. Eligible Persons may exercise their Rights as follows:</p> <ul style="list-style-type: none"> <li>• During the First Offering Period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the Number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will only be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period, and such period coincides with the Trading Period during which Registered Shareholders and the public institutional and individual investors may trade in the Rights.</li> <li>• During the Second Offering Period, all Rights' holders, whether Registered Shareholders public, institutional and individual investors who purchased Rights during the Trading Period may exercise their Rights to subscribe.</li> </ul> <p>In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares resulting from the unexercised Rights and failure to sell such Rights will be offered in the Rump Offering.</p>
<b>Shares Allocation</b>	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 the of Rump Shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump Shares and fractional Shares (in excess of Offer Price) shall be distributed to the Eligible Persons no later than Monday 04/12/1437H (corresponding to 05/09/2016G) (please see "Subscription Terms and Conditions" section).

Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for New Shares, as well as to the holders of fractional Shares with no deduction no later than 04/12/1437H (corresponding to 05/09/2016G) (please see “Subscription Terms and Conditions” section), noting that Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).				
Shares’ Dividends	The New Shares offered for subscription will be entitled to receive their portion of any dividends declared by the Company for the period from the commencement of the Offering and for the following financial years (please see “Dividend Policy” section).				
Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential voting rights. Each of the Shares entitles its holder to one vote and each Shareholder with at least (20) twenty shares has the right to attend and vote at the General Assembly meeting.				
Shares trading	Trading in the New Shares will start on Tadawul’s system upon completion of all procedures relating to the registration, allocation and listing of the New Shares.				
Risk Factors	<p>There are certain risks associated with investing in the Shares issued, which can be generally categorized into:</p> <ul style="list-style-type: none"><li>• Risks relating to the Company’s activity and operations</li><li>• Risks related to the Market and Regulatory Environment</li><li>• Risks related to the Shares</li></ul> <p>These risks are analyzed in Section 2 “Risk Factors” of this Prospectus, and should be considered carefully prior to making a decision to invest in the Offer Shares offered for subscription (please see Section 2 “Risk Factors” for more information).</p>				
Previously listed Shares	The Company listed (10,000,000) ten million ordinary shares on 23/06/1431H (corresponding to 06/06/2010G) on Tadawul. The Founding Shareholders subscribed for 70% of the Company’s share capital and the remaining 30% was publicly offered.				
Strategic Partners	Saudi National Insurance Company BSC (which owns 27.50% of the Company’s shares before the offering), Saudi Hollandi Bank (which owns 20.00% of the Company’s shares before the offering) and Neue Rückversicherungs-Gesellschaft (NewRe) (which owns 10.00% of the Company’s shares before the offering) are considered strategic partners for their active role and technical, technological, administrative and marketing experiences, which greatly contribute to adding value to the Company.				
	The strategic partners submitted commitment letters to subscribe for the Rights Issue, subject to their respective rights, and the following table shows the ownership of the strategic partners pre-and post-Offering:				
	Shareholder	Pre-Offering		Post-Offering	
		No. of Shares	Percentage	No. of Shares	Percentage
	Saudi National Insurance Company BSC	2,750,000	27.50%	5,500,000	27.50%
Saudi Hollandi Bank	2,000,000	20.00%	4,000,000	20.00%	
Neue Rückversicherungs-Gesellschaft (NewRe)	1,000,000	10.00%	2,000,000	10.00%	
Restrictions on the Shares	The Company’s shares were listed on Tadawul on 23/06/1431H (corresponding to 06/06/2010G). Therefore, the restriction period of three full years (each of which shall be no less than 12 months) on the Founding Shareholders with regard to disposition of shares expired in 2014G, and all shares are tradable in accordance with the rules, regulations and directives issued by the CMA. The Founding Shareholders, including strategic partners, however, must obtain SAMA’s prior approval before being able to dispose of their shares.				

**Founding Shareholders**

The following table shows the direct ownership of the Company's Founding Shareholders before the Offering:

Founding Shareholders	Nationality	No. of Shares	Nominal value of shares in Saudi Riyals	Percentage
Saudi National Insurance Company BSC	Bahraini	2,750,000	27,500,000	27.50%
Saudi Hollandi Bank	Saudi	2,000,000	20,000,000	20.00%
Neue Rückversicherungs-Gesellschaft (NewRe)	Swiss	1,000,000	10,000,000	10.00%
E.A. Juffali & Brothers	Saudi	500,000	5,000,000	5.00%
Hatem Ali Juffali	Saudi	150,000	1,500,000	1.50%
Walid bin Ahmed Juffali	Saudi	150,000	1,500,000	1.50%
Khaled bin Suliman Al-Olayan	Saudi	19,531	195,310	0.20%
Mohammad bin Salah Aldin Abduljawad	Saudi	-	-	-
Faisal bin Mohammed Hamza Charara	Saudi	2,000	20,000	0.02%

**Restrictions on Rights Issue**

There are no restrictions on Founding Shareholders subscribing for the Rights Issue shares, and the Strategic Partners (Saudi National Insurance Company BSC, Saudi Hollandi Bank and Neue Rückversicherungs-Gesellschaft (NewRe)) have submitted commitment letters to exercise their respective full right to subscribe for the Rights Issue. In case of non-compliance with such promises, an announcement will be made on Tadawul's website.

If any of the Significant Shareholders (owning 5.00% or more of the Company's Shares) wishes to purchase additional Rights during the First Offering Period, the following must be done in accordance with the Implementing Regulations of the Cooperative Insurance Companies Law:

- 1- The Company shall notify SAMA of the percentage owned by any person who owns 5% or more of the Company's shares through a quarterly report; and
- 2- Any person who owns 5% or more of the Company's shares shall notify SAMA in writing of its ownership percentage and any changes thereto within five working days from the date of the occurrence of such event.

If any of the Significant Shareholders wishes to dispose of its Rights, prior approval from SAMA shall be obtained.

Note: The "Important Notice" and Section 2 "Risk Factors" of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares based on this Prospectus.

## Key Dates for Subscribers

Expected Offering Timetable	Date
Date of EGM, setting the Eligibility date and determination of Registered Shareholders	on Sunday 26/10/1437H (Corresponding to 31/07/2016G)
Date of First Offering Period and Trading in Rights	From Tuesday 06/11/1437H (Corresponding to 09/08/2016G to Thursday 15/11/1437H (Corresponding to 18/08/2016G)
Date of Second Offering Period	From Sunday 18/11/1437H (Corresponding to 21/08/2016G to Tuesday 20/11/1437H (Corresponding to 23/08/2016G)
Date of End of Offering Period and deadline for submitting Subscription Applications Forms	on Tuesday 20/11/1437H (Corresponding to 23/08/2016G)
Date of Rump Offering Period	From Sunday 25/11/1437H (Corresponding to 28/08/2016G to Monday 26/11/1437H (Corresponding to 29/08/2016G)
Final Allocation Notification for all subscribers	on Wednesday 28/11/1437H (Corresponding to 31/08/2016G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Fractional Shares	Payment of Compensation Amounts (if any) will be completed no later than Monday 04/12/1437H (Corresponding to 05/09/2016G)
Expected date for the commencement of trading in Offer Shares	Trading in Offer Shares shall commence after completing all related regulatory procedures. Dates will be communicated through local newspapers and on Tadawul's website.

Note: All of the above dates are indicative. Actual dates and times will be communicated through local newspapers published in KSA as well as on the Saudi Stock Exchange ("Tadawul") website [www.tadawul.com.sa](http://www.tadawul.com.sa).

## Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM (Eligibility Date)	The Company	on Monday 27/10/1437H (Corresponding to 01/08/2016G)
Announcement regarding the EGM outcome, including the approval of the Company's capital increase	The Company	on Monday 27/10/1437H (Corresponding to 01/08/2016G)
Announcement regarding the change in Company's share price, Rights' deposit and announcement regarding the Indicative Value of the Right	Tadawul	on Monday 27/10/1437H (Corresponding to 01/08/2016G)
Announcement regarding the New Shares subscription periods and rights trading	The Company	on Monday 27/10/1437H (Corresponding to 01/08/2016G)
Reminder announcement regarding the First Offering Period and the Rights Trading Period	The Company	on Tuesday 06/11/1437H (Corresponding to 09/08/2016G)
Reminder announcement of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	on Thursday 15/11/1437H (Corresponding to 18/08/2016G)
Announcement regarding the commencement of the Second Offering Period	The Company	on Sunday 18/11/1437H (Corresponding to 21/08/2016G)
Reminder announcement about the last day for submitting Subscription Application Forms for the Second Offering Period	The Company	on Tuesday, 20/11/1437H (Corresponding to 23/08/2016G)
Announcement regarding: <ul style="list-style-type: none"> <li>The outcome of the First Offering Period and the Second Offering Period</li> <li>Details of the sale of unsubscribed Shares (if any) and commencement of the Rump Offering</li> </ul>	The Company	on Thursday 22/11/1437H (Corresponding to 25/08/2016G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	The Company	on Wednesday 28/11/1437H (Corresponding to 31/08/2016G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	on Sunday 03/12/1437H (Corresponding to 04/09/2016G)
Announcement regarding the payment of compensation amounts (if any) to Eligible Persons	The Company	on Monday 04/12/1437H (Corresponding to 05/09/2016G)

Note: All of the abovementioned dates are indicative. Actual dates and times will be communicated through local newspapers published in KSA as well as on Saudi Stock Exchange ("Tadawul") website [www.tadawul.com.sa](http://www.tadawul.com.sa).



## HOW TO APPLY

Subscribing for the New Shares at first shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, all the remaining 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 available at the Receiving Agents' branches (during the First Offering Period and the Second Offering Period, as applicable) then deliver the application forms to any of these Receiving Agents during the Second Offering Period (even if they don't have accounts with the receiving agents). It is also possible to subscribe through the Internet, banking phone or ATMs of any of the Receiving Agents that offer one or all of these services to the Eligible Persons, under two conditions:

- 1- The Eligible Person shall have a bank account with the Receiving Agent that offers such services; and
- 2- No amendment has been introduced to the data relating to the Eligible Person (by deleting or adding a family member) since his/her subscription in a recent offering unless such amendments have been communicated to the Receiving Agent and adopted by it.

Subscription Application Forms must be completed in accordance with the instructions mentioned under Section 18 "Subscription Terms and Conditions" of this Prospectus. Each Subscriber must complete and accept all terms specified in the Subscription Application Form. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to any of the Receiving Agents. Once accepted by the Company, the Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (please see Section 18 "Subscription Terms and Conditions").

## FAQs about the Rights Issue Mechanism

### What is a Rights Issue?

Rights are tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe for 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?

The Rights are deposited within two days after the EGM. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the Trading and Offering Period.

### How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

### 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 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 200 new shares, its number of shares becomes 1,200, and the eligibility ratio is then (1) to (5) (i.e. one new share for every five existing shares).

### Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

### What is the Right value upon the trading commencement?

The Right opening price is the difference between the Company's share closing price on the day preceding such Right listing, and the Offer Price. For example: If the closing price of a share on the preceding day is SAR35 and the Offer Price is SAR10, the opening price of the Rights will be 35 minus 10, i.e. (SAR25) twenty-five Saudi Riyals.

### Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. The new additional shares acquired through purchasing new Rights may only be subscribed for during the Second Offering Period.

### How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms to any of the Receiving Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

### Can Shareholders subscribe more than once through more than one receiving bank?

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 shareholder 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) Right. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

**In case of subscription through more than one portfolio, where will the new shares be deposited after allocation?**

Shares may be deposited in the investment portfolio mentioned in the first Subscription Application.

**Are share certificate holders allowed to subscribe and trade?**

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Agents or Tadawul's depository center and submitting the requisite documents.

**What happens if New Shares are subscribed for, and then the Rights are sold after that?**

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights before the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

**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.

**Is it possible to subscribe during the weekend between the First and Second Offering Periods?**

No, that is not possible.

**When can the shareholder subscribe for the Rights he/she purchased during the Trading Period?**

During the Second Offering Phase and only after the end of the Trading Period in rights.

**Can the Eligible Person sell 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/her investment account.

**What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?**

The Rump Shares resulting from failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

**Will there be any additional fees for the trading in Rights?**

The same commissions applying to the Shares will also apply on sale and purchase operations, without a minimum commission being imposed.

## 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 Offered Shares. All terms contained in this Prospectus have been defined in Section 1 “Terms and Definitions” of this Prospectus and in other sections in this Prospectus.

## ABOUT THE COMPANY

Wataniya Insurance Company (the “Company” or “Wataniya”) is a Saudi Arabian public joint stock company established in accordance with Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and Resolution No. 330 of the Council of Ministers’ dated 16/10/1430H (corresponding to 05/10/2009G). The Company is registered under Commercial Registration number 4030200981, dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah. The Company is also licensed by the Saudi Arabian General Investment Authority under license No. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company’s registered head office is located at Juffali Building, Medina Road, Jeddah. P.O Box. 5832, Jeddah 21432, Saudi Arabia.

The Company is authorized to practice general insurance and protection and savings insurance by the Saudi Arabian Monetary Authority under license No. TMN/29/20106 dated 04/07/1431H (corresponding to 16/06/2010G) in compliance with the provisions of the Cooperative Insurance Companies Law and its Implementing Regulations.

The Company practices general insurance and protection and savings insurance within Saudi Arabia in accordance with the cooperative insurance principle. The Company offers protection through 42 different policies divided into 7 designations: auto insurance, marine insurance, engineering insurance, accident and liability insurance, property insurance, extended warranty insurance and life insurance.

The Company’s current share capital is (SAR100,000,000) one hundred million Saudi Riyals composed of (10,000,000) ten million fully-paid ordinary shares with a nominal value of (SAR10) ten Saudi Riyals per share. The Founding Shareholders subscribed for (7,000,000) seven million shares (70%) of the Company’s shares, while the remaining (3,000,000) three million shares (30%) were publicly offered. The offering was in accordance with the Laws and Regulations issued by the CMA, and was conducted from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G), with an Offer Price of (SAR10) ten Saudi Riyals per share. The Company’s shares had been listed in and traded on the Saudi Stock Exchange (Tadawul) on 23/06/1431H (corresponding to 06/06/2010G).

The Company’s Board of Directors recommended on 26/06/1436H (corresponding to 15/04/2015G) that the Company’s capital be increased from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals after obtaining the necessary regulatory approvals. The Company also obtained final approval from SAMA pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G) to increase its capital by (SAR100,000,000) one hundred million Saudi Riyals through a Rights Issue.

## Company Activity

The Company was licensed to conduct insurance business including the following principal insurance services: (1) General Insurance, and (2) Protection and Saving Insurance. The Company obtained final and conditional approvals from SAMA for some of its insurance products, as follows:

### Products for which the Company has obtained final approval from SAMA:

- 1- Hull Marine Insurance Policy
- 2- Insurance policy against burglary
- 3- Marine Shipping Policy (one shipment)
- 4- Marine Shipping Policy (open Contract)
- 5- Land Shipping Insurance Policy (all risks)
- 6- Land Shipping Insurance Policy (road risks)
- 7- Fidelity Insurance Policy
- 8- Glass Breakage Insurance Policy
- 9- Money Insurance Policy
- 10- Work Injury Compensation Insurance Policy
- 11- Personal Accident Insurance Policy (individual)
- 12- Personal Accident Insurance Policy (group)
- 13- Life Insurance Policy (individual)
- 14- Life Insurance Policy (group)

- 15- Comprehensive Private Auto Insurance Policy
- 16- Third Party Auto Liability Insurance
- 17- Comprehensive Commercial Auto Insurance Policy
- 18- Auto Dealer Insurance Policy (external risks)

**Products for which the Company has obtained provisional approval from SAMA:**

- 1- All-Risk Insurance Policy
- 2- Fire Insurance Policy
- 3- Property Insurance Policy (all risks)
- 4- Business Interruption Insurance Policy
- 5- Comprehensive Housing Insurance Policy
- 6- Terrorism Risk Insurance Policy
- 7- Contractor Risk Insurance Policy
- 8- Installation Risk Insurance Policy
- 9- Machinery Breakdown Insurance Policy
- 10- Contractor Plant and Machinery Insurance Policy
- 11- Electronic Equipment Insurance Policy
- 12- Refrigerator Inventory Damage Insurance Policy
- 13- Loss of Profits Following Machinery Breakdown Insurance Policy
- 14- Travel Accident Insurance Policy
- 15- Civil Liability Insurance Policy
- 16- Professional Liability Insurance Policy (for Architects)
- 17- Professional Liability Insurance Policy (Medical Errors)
- 18- Comprehensive Banking Insurance Policy
- 19- Extended Warranty Insurance Policy
- 20- Household Workers' Insurance Policy

The Company obtained provisional approval for these products, which was extended for six months as of 06/03/1437H (corresponding to 06/01/2016G), except for the Household Workers' Insurance Policy, approval of which has lapsed, and which was suspended by the Company until coverage and benefits are negotiated between among the Regulatory Authorities, the Competent Government Authorities and the Company.

**Company products under consideration by SAMA:**

- 1- Auto Dealer Insurance Policy (internal risks)
- 2- Motorcycle Insurance Policy

## Major Shareholders

Major Shareholders who directly or indirectly own 5% or more of the Company's Shares as at the date of this Prospectus

	Share-holders	Direct ownership			Indirect ownership			Total Ownership		
		Ownership (%)	No. of Shares	Nominal Value (SAR)	Ownership (%)	No. of Shares	Nominal Value (SAR)	Ownership (%)	No. of Shares	Nominal Value (SAR)
1	Saudi National Insurance Company BSC	27.50%	2,750,000	27,500,000	-	-	-	27.50%	2,750,000	27,500,000
2	Saudi Hol-landi Bank	20.00%	2,000,000	20,000,000	-	-	-	20.00%	2,000,000	20,000,000
3	Neue Rückversi-cherungs-Gesells-chaft (NewRe)	10.00%	1,000,000	10,000,000	-	-	-	10.00%	1,000,000	10,000,000
4	E.A. Juffali & Broth-ers <sup>(1)</sup>	5.00%	500,000	5,000,000	19.94%	1,993,750	19,937,500	24.94%	2,493,750	24,937,500
5	Munich Reinsur-ance <sup>(2)</sup>	-	-	-	16.19%	1,618,650	16,186,500	16.19%	1,618,650	16,186,500
6	RBS N. V. (previ-ously "ABN AMRO N. V.") <sup>(3)</sup>	-	-	-	%8.00	800,000	8,000,000	%8.00	800,000	8,000,000
7	RBS Hold-ings N. V. <sup>(4)</sup>	-	-	-	%8.00	800,000	8,000,000	%8.00	800,000	8,000,000
8	RFS Hold-ings B. V. <sup>(5)</sup>	-	-	-	%8.00	800,000	8,000,000	%8.00	800,000	8,000,000
9	The Royal Bank of Scotland Group <sup>(6)</sup>	-	-	-	7.82%	781,760	7,817,600	7.82%	781,760	7,817,600
10	The English Govern-ment <sup>(7)</sup>	-	-	-	%5.70	569,903	5,699,030	%5.70	569,903	5,699,030
11	Ali Abdul-lah Juffali <sup>(8)</sup>	-	-	-	5.98%	597,864	5,978,640	5.98%	597,864	5,978,640

Source: Company Management

## Company Vision

To be the preferred provider for those seeking exceptional insurance services.

## Company Mission

To ensure that we have the expertise required to provide excellent insurance services using state-of-the-art technologies, and to become a leading provider of insurance in the Saudi Arabian Market.

## Company Values

- Client centric
- Establishing an environment of teamwork
- Transparency
- Operational excellence
- Employing modern technologies

## Company Aspirations

The Company believes that customer care is the most important factor for success in the insurance industry. Therefore, the Company's staff is trained to handle policyholders' inquiries and claims, and is positioned to exceed the clients' expectations on personal and professional levels. This is evident in the Company's high customer retention ratio.

## Strategic Objectives of the Company

The Company's Board of Directors has identified the following strategic objectives:

- To retain all professional staff and attract new talent to fill all key positions within the Company
- To maintain a risk-balanced insurance portfolio
- To maintain the Company's insurance policy of 90% retention rates
- To provide excellent after-sales services by managing clients' applications and services
- To develop the Company's sales team to handle the balance of dealing with agents and middlemen
- To provide the necessary Saudi staff provide them with on-the-job training
- To comply with all regulatory regulations and requirements
- To maintain a profitable insurance portfolio by constantly reviewing loss rates for all clients and taking the necessary action
- To expand the customer base by targeting government sectors, multi-national companies and Saudi Hollandi Bank's clients

## Competitive Advantages

### An experienced and skilled management team

The Company's commitment to its individual value-based principles has enabled the Company to attract and retain a well-qualified workforce. Since inception, the Company has hired, developed and retained a management team. Therefore, the Company's management team has wide local and international experience in insurance.

### A diversified shareholder base

The Company's significant Shareholders are a group of multi-business companies and individuals with unique relations and businesses, providing a large client base for the Company to market its various insurance products. In addition, the Company benefits from its technical, technological, administrative and marketing expertise.

### Diverse insurance products and services

The Company provides 42 insurance products specifically designed to meet the specialized and sustainable needs of its clients. The Company has obtained from SAMA a final license for 18 such products, while the other 24 were given temporary approval. There are also two additional products under study for approval by SAMA.

### High retention rates for insurance policies

Over the years, the Company has built strong relationships with its major clients. In 2015G, the retention rate for insurance policy clients was 93%.

### A stable rating over the years

Over the last five years, the Company was granted a credit rating of (BBB) by S&P. The last such rating was on 04/02/2016G.

## Overview of the Saudi Arabian insurance industry

For the purposes of this Prospectus, the Company has acquired information about insurance and economic figures from various public sources trusted by the Company. The Company's advisors have no reason to believe that any of the information presented in this section is materially inaccurate. However, such information has not been independently verified and no representation is given as to its accuracy. Sources include:

- The Company's projections and estimates
- Information and analysis of the insurance industry obtained from publicly available sources and materials issued by other parties

The insurance industry in the Kingdom was not regulated until 2003G. Most insurance companies in the Kingdom are branches and representative offices of offshore-registered companies, most of which are headquartered in Bahrain. In 2003G, the Cooperative Insurance Companies Law was approved by Royal Decree M/32 dated 2/6/1424H (corresponding to 31/7/2003G). Pursuant to the Law, SAMA was appointed to act as a regulator and the body in charge of oversight of the insurance industry in the Kingdom of Saudi Arabia.

Under the new Regulations, the insurance industry has undergone significant growth, and a large number of insurance companies have been established. As of the end of 2014G, the Council of Ministers approved the establishment of 35 insurance companies to engage in the business of insurance and reinsurance, as well as 199 liberal professional companies to support insurance services.

According to Swiss Re, the Saudi Arabian insurance market is the second largest in the MENA region, after UAE. In 2014G, it accounted for 20.8% of the region's GWPs.

In the 2010G-2014G period, the Saudi insurance market witnessed growth in most of its indicators. GWPs increased at a CAGR of 16.8% to reach SAR30,482 in 2014G. This increase was mainly driven by an increase of awareness of the importance of insurance, good economic conditions during the period, and mandatory health and vehicle insurance.

In the Kingdom of Saudi Arabia, the insurance industry includes 35 insurance and reinsurance companies, which provide their products to three main sectors: health insurance, general insurance and protection and savings insurance. In 2014G, the three largest insurance companies acquired 54.0% of GWPs in the Kingdom, and the eight largest insurance companies acquired 71.7% of GWPs.

The insurance industry is divided into three main sectors: health insurance, general insurance and protection and savings insurance. General insurance can be divided into seven business lines: vehicle insurance, property insurance, engineering insurance, accident and liability insurance, marine insurance, energy insurance and aviation insurance.

In the 2010G-2014G period, health insurance was the largest insurance sector with 52.2% of GWPs in the Kingdom, while general insurance and protection and savings insurance sectors acquired 43.8% and 4.0% of GWPs, respectively.



## The Company's summary of financial information and performance indicators

The Company's summary of financial information and performance indicators provided hereunder should be read in conjunction with the audited financial statements for the financial years that ended 31 December 2013G, 2014G and 2015G, and the notes thereto, which are included in other sections of this Prospectus.

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
<b>Balance Sheet</b>			
Total insurance operations' assets	605,450	479,784	583,304
Total shareholders' assets	91,329	92,901	94,869
<b>Total assets</b>	<b>696,779</b>	<b>572,685</b>	<b>678,173</b>
<b>Total insurance operations' liabilities</b>	<b>603,975</b>	<b>477,068</b>	<b>580,588</b>
Total shareholders liabilities	33,285	24,766	39,291
Total shareholders' equity	58,044	68,135	55,578
<b>Total shareholders' liabilities and equity</b>	<b>91,329</b>	<b>92,901</b>	<b>94,869</b>
<b>Total liabilities, insurance operations' surplus and shareholders' equity</b>	<b>696,779</b>	<b>572,685</b>	<b>678,173</b>
SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
<b>Results of Operations</b>			
Gross written premiums	486,843	433,911	518,709
Total costs and expenses	(348,706)	(251,158)	(291,860)
Surplus/(deficit) from insurance operations	(31,787)	12,413	(9,209)
<b>Shareholders' appropriation of surplus/(deficit)</b>	<b>31,787</b>	<b>(11,172)</b>	<b>9,209</b>
<b>Processing Shareholders' Operations</b>			
Shareholders' appropriation of surplus/(deficit)	31,787	(11,172)	9,209
Investment income	1,469	1,814	896
Other income	225	999	664
General and administrative expenses	(3,204)	(2,435)	(3,213)
Provision for zakat and income tax	(1,182)	(2,363)	(1,695)
Income tax recovered from foreign shareholders	615	904	-
<b>Total comprehensive income for the year/period</b>	<b>(33,864)</b>	<b>10,091</b>	<b>(12,557)</b>
Outstanding Shares	10,000	10,000	10,000
Profit (loss) per share (Saudi Riyals)	(3.3864)	1.0091	(1.2557)

Source: Audited Financial Statements and Company

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
<b>Statement of cash flows of Insurance operations</b>			
Net cash generated from (used in) operating activities	(24,227)	(10,347)	28,718
<b>Cash and cash equivalents at the end of the period</b>	<b>83,161</b>	<b>72,814</b>	<b>101,532</b>
<b>Statement of cash flows for the shareholders operations</b>			
Net cash generated from operating activities	6,436	1,743	4,186
Net cash utilized in investing activities	(56,777)	(939)	(2,745)
Net cash utilized in financing activities	(1,961)	(1,237)	(1,521)
<b>Cash and cash equivalents at the end of the period</b>	<b>705</b>	<b>272</b>	<b>192</b>

Source: Audited Financial Statements

Analysis of Key Ratios	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
Average growth of Gross Written Premiums	33.8%	(10.9%)	19.5%
Net claims paid / Gross Written Premiums	41.5%	36.2%	28.1%
Net Loss ratio: Net claims incurred/ Net Premiums Earned	96.2%	78.1%	84.1%
Cession ratio: Reinsurance premiums ceded / Gross Written Premiums	49.0%	61.7%	54.8%
Retention ratio: Net Premiums Written / Gross Written Premiums	51.0%	38.3%	45.2%
Expense ratio	18.9%	17.5%	24.6%
Commission paid as percentage of Gross Written Premiums	14.6%	16.9%	13.2%
Solvency margin	38.6%	50.2%	19.1%

Source: Company

## SUMMARY OF RISK FACTORS

There are a number of risks associated with the Offering Rights Issue. Such risks are summarized in three main groups, as follows:

### 1- Risks relating to the Company's activity and operations

- Risks related to renewal of the required licenses, permits and certificates
- Risks related to transactions with related parties
- Risks related to customer credit
- Risks related to contracts with related parties
- Risks related to contracts with third parties
- Risks related to reliance on brokers and agents
- Risks related to dependence on key personnel
- Risks related to employee misconduct and error
- Risks related to inadequate capital and minimum capital requirements
- Risks related to access to adequate financing
- Risks related to investment
- Risks related to adequacy of provisions and reserves
- Risks related to acquisition of insurance portfolios
- Risks related to business concentration
- Risks related to reinsurance
- Risks related to reinsurance concentration
- Risks related to miscalculation of risks
- Risks related to cancellation or non-renewal of insurance policies
- Risks related to translation of insurance policies
- Risks related to the functions and meetings of Board Committees
- Risks related to accumulated losses
- Risks related to operation and IT systems
- Risks related to credit rating
- Risks related to risk management policies
- Risks related to disputes and litigation
- Risks related to failure to develop and expand
- Risks related to increase in doubtful debts
- Risks related to brand protection
- Risks related to Zakat differences
- Risks related to change of Shariah Board opinion
- Risks related to the Company's financial performance
- Risks related to vacancy of key Company positions
- Risks related to currency exchange rates
- Risks related to changes in significant accounting standards and new standards
- Risks related to fines
- Risks related to compliance with safety and fire prevention requirements
- Risks related to governance

### 2- Risks related to the Market and Regulatory Environment

- Risks related to compliance with laws and regulations
- Risks related to release of the new Companies Law
- Risks related to withdrawal of license to undertake insurance activities
- Risks related to solvency requirements
- Risks related to reporting requirements
- Risks related to insurance market growth
- Risks related to limited historical market data
- Risks related to cultural awareness of insurance and its importance in the Kingdom
- Risks related to competition
- Risks related to consumer confidence
- Risks related to approvals for new products or renewal of existing ones
- Risks related to economic and industry conditions
- Risks related to restriction on ownership of insurance companies
- Risks related to the insurance business cycle
- Political risks
- Risks related to compliance with Saudization and GOSI requirements
- Risks related to non-Saudi employees
- Risks related to availability of qualified local staff in the insurance industry

- Risks related to the insurance business
- Risks related to lack of control over prices
- Risks related to unexpected disasters
- Risks related to compliance with the regulatory retention requirements

### **3- Risks related to the Shares**

- Risks related to potential volatility in the share price
- Risks related to potential fluctuations in the price of the Rights
- Risks related to lack of demand for the company's Shares and Rights
- Risks related to dilution of ownership
- Risks related to failure to exercise the rights in a timely manner
- Risks related to effective control by the Founding Shareholders
- Risks related to dividends
- Risks related to expiry of the lock-up period
- Risks related to forward-looking statements
- Risks related to potential issuance of new shares
- Risks related to non-exercise of Rights by Substantial Shareholders
- Risks related to absence of a prior market for the Rights
- Risks related to the Strategic Shareholders selling their equity or exiting the Company
- Risks related to Qualification Shares
- Risks related to trading in the Rights
- No guarantee that Eligible Persons will be compensated

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# 1. Terms and Definitions

The following table shows a list of the terms and definitions used throughout this Prospectus:

**Table 1: Terms and Definitions**

Term	Definition
The Company or Wataniya	Wataniya Insurance Company, a Saudi public joint stock company.
Board or Board of Directors	Wataniya Insurance Company's board of directors whose names appear in subsection 5.2 "Board Members and Secretary".
Senior Management, Management or Senior Executives	Wataniya Insurance Company's management team whose names appear in subsection 5.3 "Senior Management".
Offering or Subscription	Offering (10,000,000) ten million ordinary shares of Wataniya Insurance Company at a price of (SAR10) ten Saudi Riyals per share through a Rights Issue representing a capital increase of (SAR100,000,000) one hundred million Saudi Riyals, representing 100% of the issued share capital of the Company.
Rights Issue, New Shares or Offer Shares	(10,000,000) ten million new ordinary shares issued by the Company.
Riyal or SAR	Saudi Arabian Riyals, the local currency in Saudi Arabia.
The Kingdom	The Kingdom of Saudi Arabia.
Share	A share of the Company with a fully paid nominal value of (SAR10) ten Saudi Riyals.
Subscription or Offering Price	(SAR10) ten Saudi Riyals per each share of Rights Issue.
Nominal Value	(SAR10) ten Saudi Riyals per share.
Eligibility Date	Date of the Extraordinary General Assembly meeting "EGM" to approve the Capital increase.
General Assembly	The General Assembly of the Company's Shareholders.
Shareholder(s)	Shareholders at any time.
Registered Shareholder(s)	Shareholders registered in the Company's Register at the close of trading on the date of the EGM to approve the capital increase.
First Offering Period	The period from Tuesday 06/11/1437H (corresponding to 09/08/2016G) until Thursday 15/11/1437H (corresponding to 18/08/2016G). During this period, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. Subscription for the New Shares will only be approved for the number of Qualified Shares, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period, during which Registered Shareholders and public institutional and individual investors may trade in the Rights.
Rights Issue Trading Period	The period from Tuesday 06/11/1437H (corresponding to 09/08/2016G) until Thursday 15/11/1437H (corresponding to 18/08/2016G). During this period, Registered Shareholders and public institutional and individual investors may trade in the Rights.
Second Offering Period	The period from Sunday 18/11/1437H (corresponding to 21/08/2016G) until Tuesday 20/11/1437H (corresponding to 23/08/2016G). During which all Rights' holders, whether Registered Shareholders or public institutional and individual investors, who purchased Rights during the Trading Period, may exercise their Rights to subscribe for the New Shares, and no trading of Rights will be permitted during this Period.
Subscription Period	The period from Tuesday 06/11/1437H (corresponding to 09/08/2016G) until Tuesday 20/11/1437H (corresponding to 23/08/2016G).
Rump Offering Period	The period from 10:00 am on Sunday 25/11/1437H (corresponding to 28/08/2016G) until 10:00 pm on the following day 26/11/1437H (corresponding to 29/08/2016G).
Eligible Person(s)	All Rights Shareholders, whether they are Registered Shareholders or purchased Rights during the Trading Period.

Term	Definition
Institutional Investors	<p>This includes a group of institutions, as follows:</p> <ol style="list-style-type: none"> <li>1- Publicly offered investment funds established in the Kingdom that invest in securities listed on the Saudi Stock Exchange, provided that the funds terms and conditions permit such investment, and provided that the terms and conditions of the Investment Funds Regulations are observed.</li> <li>2- Persons authorized to deal in securities as principal, provided that financial adequacy requirements are observed.</li> <li>3- Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, banks and insurance companies listed on the Saudi Stock Exchange in accordance with the rules issued by the CMA, provided that the Company's involvement does not lead to a conflict of interests.</li> </ol>
Rump Shares	The Offering Shares not subscribed for during the First and Second Offering Periods.
Rump Offering	Offering any rump shares unsubscribed for by the Eligible Persons to Institutional Investors during the Rump Offering Period.
Trading of Rights	Eligible Persons may trade in (buy and sell) the Rights Issue of (1) Right for each (1) of the Company's Shares, on the Saudi Stock Exchange ("Tadawul").
Exercising of Rights	Subscription of Eligible Persons for new Shares.
Subscriber	Any Investor who subscribes or applies for subscription for Rights in accordance with the terms and conditions for subscription.
Founding Shareholders	<p>The Founding Shareholders are:</p> <ul style="list-style-type: none"> <li>• Saudi National Insurance Company BSC</li> <li>• Saudi Hollandi Bank</li> <li>• Neue Rückversicherungs-Gesellschaft (NewRe)</li> <li>• E.A. Juffali &amp; Brothers</li> <li>• Hatem Ali Juffali</li> <li>• Walid bin Ahmed Juffali</li> <li>• Khaled bin Suliman Al-Olayan</li> <li>• Mohammad bin Salah Aldin Abduljawad</li> <li>• Faisal bin Mohammed Hamza Charara</li> </ul>
Substantial Shareholders	<p>Substantial Shareholders who directly or indirectly own 5% or more of the Company's Shares, who are:</p> <ul style="list-style-type: none"> <li>• Saudi National Insurance Company BSC</li> <li>• Saudi Hollandi Bank</li> <li>• Neue Rückversicherungs-Gesellschaft (NewRe)</li> <li>• E.A. Juffali &amp; Brothers</li> <li>• Munich Reinsurance</li> <li>• RBS N. V. (previously ABN AMRO N. V.)</li> <li>• RBS Holdings N. V.</li> <li>• RFS Holdings B. V.</li> <li>• The Royal Bank of Scotland Group</li> <li>• The English Government</li> <li>• Ali Abdullah Juffali</li> </ul>
Strategic Partners	<p>The Strategic Partners are:</p> <ul style="list-style-type: none"> <li>• Saudi National Insurance Company BSC</li> <li>• Saudi Hollandi Bank</li> <li>• Neue Rückversicherungs-Gesellschaft (NewRe)</li> </ul>
Offering Proceeds	The total value of the shares subscribed for.
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses.
Person	A natural or legal person so designated by the Kingdom's laws.
Voting Rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles its holder to one vote. Each Shareholder holding at least (20) Shares has the right to attend and vote at the General Assembly Meeting.

Term	Definition
Surplus Distribution	The method by which profit of insurance and reinsurance companies is distributed among Policyholders.
Prospectus	This document prepared by the Company in relation to the Offering.
Subscription Application Form	The application form submitted by the subscriber to purchase the Offer Shares.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
Government	The Government of the Kingdom of Saudi Arabia.
Capital Market Authority (CMA)	The Capital Market Authority of the Kingdom of Saudi Arabia.
Saudi Arabian Monetary Agency (SAMA)	The Saudi Arabian Monetary Agency.
SAMA License	The License granted to the Company by SAMA.
Tadawul	The Saudi Arabian Stock Exchange, the automated system for trading of Saudi shares.
Cooperative Health Insurance Council	The Cooperative Health Insurance Council established pursuant to the Cooperative Health Insurance Law issued by Royal Decree No. (M/10) dated 1/5/1420H (corresponding to 13/8/1999G), as amended.
General Investment Authority	The Saudi Arabian General Investment Authority.
By-laws	The Company's by-laws.
Companies Law	The Companies Law in force in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/6) dated 22/03/1385H (corresponding to 22/07/1965G) as amended.
Implementing Regulations	The Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies, issued pursuant to Ministerial Order No. (1/561) dated 01/03/1425H (corresponding to 20/04/2004G).
Insurance Law or the Cooperative Insurance Companies Control Law	The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) dated 02/ 6/1424H (corresponding to 31/07/2003G).
Gulf Cooperation Council	The Cooperation Council for the Arab States of the Gulf.
Corporate Governance Regulations	The Corporate Governance Regulations of KSA, issued by the CMA pursuant to Resolution No. 1/212/2006 dated 21/10/1427H (corresponding to 12/11/2006G) as amended.
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G) as amended.
Financial Statements	Audited Financial Statements of Wataniya Insurance Company for the financial years ended 31 December 2013G, 2014G and 2015G.
Financial Year	The financial year ending on 31 December of every calendar year.
International Financial Reporting Standards (IFRS)	A set of accounting standards and the interpretations thereof issued by the International Accounting Standards Board.
MENA Region	All countries in the Middle East and North Africa, namely: Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, Iraq, Jordan, Yemen, Lebanon, Syria, Palestine, Oman, Iran, Algeria, Morocco, Tunisia, Sudan, Libya, Egypt, Turkey and Mauritania.
Control	<p>The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following:</p> <ul style="list-style-type: none"> <li>• holding 30% or more of the voting rights in the Company.</li> <li>• the right to appoint 30% or more of the administrative staff; and the word "controlling" shall be construed accordingly.</li> </ul>

Term	Definition
Related Party/Parties	According to the Glossary of Defined Terms Used in the CMA regulations, means: 1- Affiliates of the issuer; 2- Major shareholders in the issuer; 3- Directors and senior executives of the issuer; 4- Directors and senior executives of the affiliates of the issuer; 5- Directors and senior executives of the significant shareholders of the issuer; 6- Legal counsel and financial advisor of the issuer; 7- Any relatives of the persons referred to in paragraphs (1, 2, 3, 4 or 5) above; or 8- Any company controlled by any person referred to in paragraphs (1, 2, 3, 4, 5 or 7) above.
Public	According to the Glossary of Defined Terms Used in the CMA regulations, means: 1- Affiliates of the issuer; 2- Major shareholders in the issuer; 3- Directors and senior executives of the issuer; 4- Directors and senior executives of the affiliates of the issuer; 5- Directors and senior executives of the significant shareholders of the issuer; 6- Any relatives of the persons referred to in paragraphs (1, 2, 3, 4 or 5) above; 7- Any company controlled by any person referred to in paragraphs (1, 2, 3, 4, 5 or 7) above. 8- Persons working together and, collectively, hold (5%) or more of the share class to be listed.
Financial Advisor	Arab National Investment Company.
Lead Manager	Arab National Investment Company.
Underwriters	Arab National Investment Company and Saudi Hollandi Capital.
Receiving Agents	Arab National Bank, Saudi Hollandi Bank, National Commercial Bank and Riyadh Bank.
Legal Advisor	Meshal Al Akeel Law Firm in association with Hourani & Associates
Financial Due Diligence Advisor	KPMG Al Fozan & Partners.
Advisors	Parties that provide subscription-related services and whose names are listed in pages (vii) and (viii) of this Prospectus.
Actuary	Manar Sigma Financial Consulting, which uses various statistical theories and possibilities on the basis of which the Company's product prices are calculated, responsibilities and obligations are evaluated, and reserves are calculated.
Swiss Re	Swiss Reinsurance Company.
GDP	Gross domestic product of Saudi Arabia.
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriters.
Insurance	A contractual mechanism whereby risk burdens are evaluated and transferred through classification and collection.
Gross Written Premium or GWP	Gross written premium of insurance policies within certain timeframe without deducting assigned premiums.
Net Written Premium	Net premium calculated after deducting reinsurance.
Insurance Company	An insurance company under the supervision of SAMA.
Insurance Agency	A legal entity that acts as a representative of the insurer to attract, negotiate and enter into insurance contracts for a commission.
Insurance Intermediaries	A legal entity that acts as a representative of the existing or potential insured to attract and negotiate insurance contracts.
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer against all or a portion of the insurance or reinsurance risks.
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for some or all the risks it has assumed.

Term	Definition
Solvency margin	The amount by which the Company's assets that are able to be liquidated exceed its liabilities.
Retention Ratio	A measure of the written premiums retained by an insurance company, which can be calculated by dividing net written premiums by gross written premiums.
Loss Ratio	The ratio of claims incurred to net premiums earned.
Insurance Penetration	The ratio of GWPs to GDP.
Insurance Density	Gross written premium per capita (GWPs divided by the number of population).
Investment Portfolio	An investment tool including a number of assets.
Insured	A natural person or legal entity, which has entered into an insurance contract.
Insurer	An insurance company that directly accepts insurance contracts from and compensates the insured for the risks it has been exposed to.
Insurance policy	A legal document or contract issued to the Insured by the Company setting out the terms of the contract to indemnify the Insured for loss and damages covered in that contract against a premium paid by the Insured.
Technical Provisions/Reserves	The amounts that should be deducted or allocated by the Company to cover its financial obligations.
Credit Rating	An opinion about the credit eligibility level of an entity or a security by using symbols, letters or numbers or any other form.
S&P	Standard and Poor's, an American company specialized in credit rating and development of rating indicators for the financial markets performance in various world markets in addition to providing analysis and studies to more than 2,000 internationally listed companies.
BBB	A credit rating from S&P.
Risk Factors	Possible influences that should be understood and to be cautious about before deciding to invest.
Products	The products and services provided by the Company.
Saudization	Employment regulations of KSA that compel companies operating in the Kingdom to employ a specific percentage of Saudi nationals.
Najm	Najm for Insurance Services.
The Bank	Saudi Hollandi Bank.



## 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.

The Directors declare that, to the best of their knowledge and belief, there are no unidentified material risks that can affect decisions taken by investors not disclosed in this section below, according to the information available to them as at the date of this Prospectus.

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 that may result from such an investment. Prospective investors who have doubts about which actions to take should refer to a person licensed by the CMA for providing advice about purchasing shares and other securities.

In the event that any of the risks that the Management currently believes to be material does occur, or if any other risks that the Company has not identified or currently does not consider to be material occurs, the market value of the Offer Shares will decrease and prospective investors will 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 unknown or deemed immaterial now may have the impacts shown in this Prospectus.

### 2-1 Risks relating to the Company's activity and operations

#### 2-1-1 Risks related to renewal of the required licenses, permits and certificates

The Company is required to obtain and maintain the necessary regulatory licenses, permits and approvals in relation to its activities. Such licenses include but are not limited to: product licenses granted the Company by SAMA, licenses to open stores 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 (formerly the Ministry of Commerce and Industry), certificates of membership in the Chambers of Commerce, certificates of registration of trademarks, Saudization certificates, Zakat certificates and social insurance certificates. Most of the Company's licenses, permits and certificates are governed by requirements under which the licenses, permits, certificates and approvals may be suspended or terminated if the Company fails to meet and comply with such requirements.

All companies licensed by the General Investment Authority should apply to amend their licenses to reflect any changes to their data, including increases of capital, change of capital or opening of new branches.

The presence of Neue Rückversicherungs-Gesellschaft (NewRe), a Swiss company; Saudi Hollandi Bank, and Saudi National Insurance Company BSC among the Company's Founding Shareholders has resulted in the Company being considered a company with foreign capital. Therefore, the Company will be liable to comply with the regulations and instructions of the General Investment Authority as long as such Founding Shareholders still hold shares in the Company and the Company is not converted from a foreign capital company to a Gulf capital company or a national company.

It should be noted that the Company has not yet obtained SAMA's approval to operate in Riyadh and Khobar. The Company has also not obtained the commercial registration certificates for its branches in Riyadh and Khobar from the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry) and the required municipal and civil defense licenses for such branches. Accordingly, the Company may be subject to the penalties provided in the Regulations on Fines and Penalties for Municipal Infractions, which include a fine ranging from (SAR1,000) one thousand Saudi Riyals as a minimum to (SAR5,000) five thousand Saudi Riyals as a maximum and may reach to closing the site. The Company may also be subject to the penalties provided in the Commercial Registration Law, which include a fine of no more than (SAR 50,000) fifty thousand Saudi Riyals. Finally, the Company may also be subject to the penalties provided in the Cooperative Insurance Companies Control Law, which includes a fine of no more than (SAR 1,000,000) one million Saudi Riyals, no more than four years of imprisonment, or both.

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. This would lead to a disruption of the Company's operations and to its incurring of more costs, which would have an adverse impact on the Company's financial position, operations and the results thereof.

## 2-1-2 Risk related to transactions with related parties

The percentage of premiums written with the Related Parties increased from 4.0% in 2013G to 17.8% and 15.2% in 2014G and 2015G, respectively. The Related Parties who have subscribed for the premiums are mainly (1) E.A. Juffali & Brothers and affiliated parties ("Juffali Group"), mainly represented in E.A. Juffali & Brothers Automotive and Saudi Electronic Computers Co. and (2) Saudi Hollandi Bank, as the written premiums by these three parties represent 78.4% of GWPs by related parties for the years 2014G and 2015G (please see subsection 6.7.6 "Related Parties" of this Prospectus). The premiums written by Juffali Group represent 13.8% and 10.8% in 2014G and 2015G, respectively, while the premiums written by Saudi Hollandi Bank are 4.0% and 4.4% for the same period.

Failure to renew policies or increase GWPs by Juffali Group and Saudi Hollandi Bank will lead to a decrease in the Company's sales and profits, which will also affect its profit margin. Therefore, this will have a material and adverse effect on the Company's future business, financial results, prospects, financial position and its Share price.

## 2-1-3 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, operations and the results thereof.

## 2-1-4 Risks related to contracts with related parties

The Company has entered into a range of insurance contracts (insurance policies) with related parties, including some of its Directors, Founding Shareholders and companies owned by the Directors, for a total value of SAR79.0 million as at 31/12/2015G. Please see subsection 14.5.1 "Related party transactions" of this Prospectus.

Pursuant to Article (69) of Companies Regulations, a Director may not have any direct or indirect interest in the transactions and contracts of the Company except with the permission of the Ordinary General Assembly. Until the date of this Prospectus, no permission has been granted by the Ordinary General Assembly in this regard. This is a violation of the Companies Regulations and may expose the Company to sanctions by the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry). Exposing the Company to sanctions due to this violation will have an adverse effect on the Company's operations and the results thereof. It should be noted that the Company is not in compliance with Article (49) of the Implementing Regulations, providing that no insurance policy shall be issued or renewed by the Company to any of its owners, Directors, Senior and Executive Managers, and their related parties except after payment of the full premium.

For the MOU between the Company and the Saudi National Insurance Company BSC (please see subsection 14.5.1 "Related party transactions" of this Prospectus), the Company pays liabilities and other expenses on behalf of the Saudi National Insurance Company BSC to be collected at a later time. This is not in compliance with the applicable laws and regulations, which requires amendments to this MOU by entering into an agreement to replace it in compliance with SAMA instructions and regulations (currently, the Company is preparing a service agreement on a purely commercial basis to be concluded with the Saudi National Insurance Company BSC to revoke and replace this MOU). In addition, when concluded and during its term, an annual approval of this agreement should be obtained from the General Assembly of the Company's Shareholders due to the nature of the agreement as it is with a related party. It should be noted that these liabilities and expenses paid by the Company on behalf of the Saudi National Insurance Company BSC will be completed within the next six (6) months. Failure to conclude this agreement will lead to failure to comply with the principles of transactions with related parties, which are generally accepted in such transactions, particularly, as MOUs in general are non-binding in nature. If this situation of non-compliance with the applicable laws and regulations continues, it will adversely affect the Company's operations and the results thereof.

## 2-1-5 Risks related to contracts with third parties

The Company has concluded contracts and agreements with other parties in the insurance industry, such as insurance claims settlement contracts, insurance agencies contracts, reinsurance contracts, as well as other service contracts such as IT contracts and staff training contracts. The Company depends on the potential and abilities of such parties to meet their obligations under the terms and conditions of their contracts and agreements. There is no certainty that these parties will meet the Company's expectations. If the Company or the contracted parties fail to comply with the terms of such contracts or if any future disputes or claims occur and the Company loses such disputes or claims, its financial position, cash flows, prospects, operations and the results thereof will be adversely affected (for more details, please see subsection 14.5 "Material Agreements").

The Company is not in compliance with Article (35) of the Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers which requires insurers and insurance service providers to obtain SAMA's written letter of no objection prior to undertaking any material outsourcing. The Company has not obtained SAMA's written letter of no objection with regard to outsourcing investment functions and service functions related to the IT infrastructure of E.A. Juffali & Brothers Technical Support Department. This may expose the Company to regulatory penalties and may adversely affect the Company's operations and the results thereof. It should be noted that the Company has applied and is awaiting SAMA's written letter of no objection.

The Company is not in compliance with Article (45) of the Investment Regulations, which provides that the Company ensure that a signed outsourcing agreement with the external entity is submitted to SAMA for approval, which may expose the Company to regulatory penalties and may adversely affect the Company's operations and the results thereof.

## **2-1-6 Risks related to reliance on brokers and agents**

The Company relies on brokers and agents as major distributors for marketing its products (please see subsection 14.5.3 "Intermediation Agreements"). Gross written premiums (GWPs) through agents represented 48.8% of GWPs as of 31 December 2015G, while GWPs through brokers represented 19.6% of GWPs for the same period. Due to reliance on brokers and agents, any interruption or termination of such arrangements with Intermediaries would have a significant negative impact on the sales of the Company's products, leading to substantial negative impact on the Company's business, operations and the results thereof.

It should be noted that the Company is not in compliance with all of the terms outlined in Article (30) of the Insurance Intermediaries Regulations, which provides that agreements between intermediaries and insurance companies shall include the durations of the agreements and the rights of the insurance company to review the intermediary's books and records related to its accounts, which may expose the Company to regulatory penalties and have a negative impact on the Company's operations and results thereof.

## **2-1-7 Risks related to dependence on key personnel**

Key personnel of the Company play an important role in the success of the Company's business. Its success and future prospects will depend to a large extent on its ability to recruit and retain high quality personnel and find replacements for departing key personnel. The Company's success relies on maintaining its relationships with brokers by ensuring long-term retention of staff and its ability to attract and retain new high quality employees.

Despite providing encouraging remuneration, compensation and training to its staff, there can be no assurance that the Company can retain their services or increase their skill levels. The Company may also need to increase salaries to ensure long-term retention of its personnel and attract new well-qualified staff. In addition, employment contracts lack some preventive terms and conditions (including but not limited to non-competition, etc.), all of which may make it difficult to retain some employees. The business of the Company may be adversely affected by the loss of the services of one or more members of key personnel, which could lead to a disruption of the Company's operations and adversely impact the Company's business products, financial condition, operations and results thereof.

It should be noted that no official employment contract, as of the date of this Prospectus, has been signed with the Company's CEO; it was deemed sufficient to conclude an employment offer between the Company and the CEO in this regard. Despite the fact that this employment offer, from a regulatory point of view, proves that the functional and contractual relationship is reliable, the lack of sufficient provisions does not protect the Company's interests and rights as is customary in such contracts.

## **2-1-8 Risks related to employee misconduct and error**

The Company cannot guarantee that it can always deter or prevent events of employee misconduct or error such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, abuse of property and acting on its behalf without obtaining the due administrative authorizations; particularly, it does not have internal work regulations approved by the Ministry of Labor and Social Development (formerly the Ministry of Labor) as required by law. This may increase the risks of lack of regulation governing the behavior of employees and labor policies in the Company. As a result, employee misconduct or error could result in consequences and liabilities incurred by the Company, regulatory sanctions, financial liability and/or serious damage to the reputation of the Company. Hence, the Company cannot guarantee that employee misconduct or error will not materially and adversely affect its financial condition, operations and results thereof.

## **2-1-9 Risks related to inadequate capital and minimum capital requirements**

In the future, the Company may need to increase its capital to expand its business and comply with capital adequacy and solvency margin requirements to remain in a competitive position. Future increases of the capital are subject to approvals

by the regulators, such as SAMA, CMA, the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry) and the Company's Shareholders Assembly. If the Company does not obtain such approvals, it may be prevented from maintaining its growth and compliance with the aforementioned regulatory requirements, which would have a material and adverse impact on the Company's business and financial results.

#### **2-1-10 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 the future, if the Company needs to inject a large amount to finance expansion of its activities and products or improve its solvency, it will face difficulties in obtaining sources of financing and, if obtained, they may have 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 the future, difficult access to adequate financing may adversely impact the Company, its financial performance and business plan.

#### **2-1-11 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. The investment portfolio is also subject to regulatory restrictions and the availability of certain financial products, such as financial derivatives, which may reduce the diversification of asset classes and lead to a reduction in returns on investment. Management of such investments requires an effective management system and a heightened ability to select diverse investments of good quality. If the Company fails to do so, it may face a decline in returns from investments, which would adversely and materially impact the Company's financial condition, operations and the results thereof.

#### **2-1-12 Risks related to adequacy of provisions and reserves**

The Company accounts for and retains reserves and provisions pursuant to Article (69) of the Implementing Regulations of the Cooperative Insurance Companies Control Law in order to meet future projected obligations. Such provisions include:

- Provisions for unearned premiums
- Provisions for claims under settlement
- Provisions for claim settlement expenses
- Provisions for incurred but not reported (IBNR) claims
- Provisions for unexpired risks
- Provisions for catastrophic events
- Provisions for general expenses Provision

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 determining appropriate levels of claim reserves is inherently uncertain due to the difficulty and complexity of making the necessary assumptions.

The sizes of the reserves depend on future estimates which might prove to be inadequate for any period. If actual claims exceed the claims reserve, the Company would have to increase its reserves. Consequently, reserves allocated to meet insurance policy claims may be inadequate, and as such the Company may need to increase its reserves, which would have a significant negative impact on the Company's business, financial condition, operation and results thereof.

#### **2-1-13 Risks related to acquisition of insurance portfolios**

If the Company wishes to acquire an insurance portfolio in the future, SAMA's final approval on the terms and conditions of the agreement for the sale and transfer of the insurance portfolio must be obtained. The Company may pay amounts more than the book value, which would affect its profitability and may adversely impact the Company's financial condition.

#### **2-1-14 Risks related to business concentration**

The Company's business concentrates on motor insurance and property insurance, which represent 49.8% and 16.2% of GWPs as of 31 December 2015G, respectively.

Written premiums of motor insurance decreased by 35.1% in 2014G from SAR277.2 million in 2013G to SAR179.9 million in 20143G, mainly due to cessation of sales of motor insurance policies for third party liability through one of the Company's

agents as a result of the losses incurred from that line of business in 2013G. Written premiums of motor insurance increased by 43.5% in 2015G to SAR258.5 million due to the growth of business with existing clients and insurance policies sold to new clients; one new client contributed SAR27.4 million to the written premiums of motor insurance in 2015G.

If a large drop in the volume of contracted transactions with any major client or agent the Company is dealing with occurs, as was the case in 2013G, such a drop would adversely impact the Company's performance, operations and results thereof.

Motor insurance and property insurance are highly competitive sectors, and if the Company is unable to expand its customer base in such activities or diversify its products in the future, its financial condition, operations and results thereof would be adversely impacted.

## **2-1-15 Risks related to reinsurance**

The insurance companies, in their normal course of business, depend on re-insurance agreements concluded with reinsurers to risks arising from insurance coverage. Reinsurance is a specialized business in which reinsurance companies often charge premiums to provide reinsurance coverage. In case of global or regional incidents affecting insurance, premiums rise, which may lead to a negative impact on the profitability of the Company. It should also be noted that even though the Company obtains reinsurance for its insurance portfolio, it remains liable for the transferred risks to the extent that the reinsurer fails to meet its obligations. Therefore, failure of the reinsurers to meet their financial obligations may have a material negative impact on the Company's operations.

There is also a risk that the Company may not be able to obtain reinsurance services in the market in the future, particularly from companies operating outside the Kingdom in the event that a disruption occurs in the reinsurance market for any reason, which would materially and adversely affect the Company's business. Insolvency of any reinsurers with whom the Company is dealing now or will contract with in future, or lack of ability or willingness to pay the due amounts in a timely manner, or failure to comply with the provisions of reinsurance agreements with such parties would materially and adversely affect the Company's financial condition, operations and the results thereof. It should be noted that a reinsurance company that the Company had been dealing with has declared bankruptcy, and the necessary technical provisions have been made. The remaining amount, SAR2.9 million, will be paid by the competent third party company pursuant to a settlement agreement concluded by both parties on 03/11/2015G (please see subsection 14.11 "Details of disputes litigation and claims").

Under the Cooperative Insurance Companies Control Law and pursuant to Article (40) of its Implementing Regulations, the Company must reinsure a minimum of 30% of premiums within the Kingdom of Saudi Arabia. Continued compliance may be difficult because there is only one reinsurance Company in the Kingdom specialized in this field; other local insurance companies are reluctant to accept the ceding processes, either because they have ceased their reinsurance activity or because of their weak financial performance. This may force the Company to assign premiums from insurance operations to reinsurance companies outside of the Kingdom and to not meet the statutory percentage, which would have a material negative impact on the Company's business, financial condition, future prospects, operations and results thereof in the event of any future claims. The Company also may be subject to financial sanctions as a result of violating the Implementing Regulations of the Cooperative Insurance Companies Control Law. Fines may reach as high as (SAR1,000,000) one million Saudi Riyals as per Article (21) of the Cooperative Insurance Companies Control Law.

It should be noted that some reinsurance contracts are governed by laws other than those of the Kingdom. In the event of a lawsuit or dispute, the reinsurer may select foreign courts or arbitrators outside the Kingdom, the merits of which will be unknown to the Company. Therefore, the Company may not be able to implement the awards, judicial orders, arbitrators' judgments or documented minutes issued in a foreign country. Such an award or ruling may not be in compliance with Islamic Law (Shariah) provisions, or the foreign country in which the judgments were issued may not reciprocate with the Kingdom. The Company would also bear financial burdens, additional costs and expenses in the context of following up the proceedings outside the Kingdom, which would affect the Company's financial results. Consequently, the Company may have to change the terms of these contracts upon renewal so they become subject to the laws of the Kingdom of Saudi Arabia.

## **2-1-16 Risks related to reinsurance concentration**

The Company deals with 47 reinsurers to insure its insurance portfolio, which may expose it to the risk of the other party's failure. Munich Re Co. is one of those companies and accounts for 18.9% of gross reinsurance premiums as of 31 December 2015G. In the event of a reinsurer's insolvency, bankruptcy or any other distress, particularly Munich Re Co., the Company's financial condition and operational activities will be adversely impacted.

## **2-1-17 Risks related to miscalculation of risks**

The Company studies potential risks before issuing insurance policies to the applicants based on the actuaries' reports. However, if the Company underestimates the potential risks upon issuance of insurance policies, it will suffer financial



losses, and its performance will be adversely impacted in the future. It should be noted that the Company incurred losses of (SAR2.8) million in 2012G, (SAR51.0) million in 2013G, (SAR4.5) million in 2014G and (SAR15.8) million in 2015G due to underestimation of risks associated with the motor insurance policy for third party liability (please see subsection 6.5.3 "Shareholders' appropriation of surplus from insurance operations"). The Company expects additional claims in relation to this policy in 2016G. This will have an adverse impact on the Company's financial position and operations.

## **2-1-18 Risks related to cancellation or non-renewal of insurance policies**

The Company operates in a competitive insurance market. As the duration of insurance policies issued by the Company are generally short in their terms, 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 of the Company in the coming years would be negatively and materially affected, which would affect the Company's business and the results thereof.

## **2-1-19 Risks related to translation of insurance policies**

Some of the Company's insurance policies are in Arabic and translated from English. However, the translation of some items in the insurance policies given by the Company is not accurate for some of the terms mentioned in the policy, leading to a different interpretation of meanings between the parties. Courts in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute between the Company and any of its clients, which may cause the Company to have disputes with customers, which would adversely affect its business and financial results. The Company has also adopted the English text of some insurance policies without an Arabic translation in violation of Article (52) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which requires insurance policies to be written clearly using language easily understood by the public, which may prevent the Company from accepting new shareholders, subscribers or investors in any of the insurance line items or reducing their number, or may compel the Company to take any other steps deemed necessary by SAMA in accordance with Article (19) of the Law on Supervision of Cooperative Insurance Companies.

Furthermore, Courts in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute arises between the Company and a customer because it is the official language of the country.

## **2-1-20 Risks related to the functions and meetings of Board Committees**

The Company's by-laws and Corporate Governance Regulations have established certain restrictions regarding the formation of committees of the Board of Directors and the number of their meetings. According to Article (20) of the by-laws, the Board shall form an executive committee composed of a minimum of three members and a maximum of five members. Membership in the Executive Committee shall be for the same term as membership in the Board, which shall fill any vacant position in that Committee. Also, as per the by-laws, the Executive Committee shall hold at least six meetings during the year.

The Company has not complied with the required number of Executive Committee meetings in 2014G and 2015G, having held four meetings in 2014G and only two in 2015G. The Company's non-compliance with the number of meetings of the Executive Committee is a violation of the regulations, and may expose the Company to investigation by the competent authorities.

Despite the fact that the Company's Board has approved the establishment of the Executive Committee and the Investment Committee, there has been no decision to establish or approve the policies and procedures of either committee as of the date of this Prospectus. This is a violation of the regulations, and may expose the Company to investigation by the competent authorities.

The Company has also not complied with Article (34) of the Investment Regulations, which require the Investment Committee to include independent members; currently, all members of the Committee are non-independent. This may expose the Company to regulatory sanctions and would adversely impact the Company's operations and the results thereof.

It should be noted that the Company is required to obtain a letter of no objection from SAMA with regard to the Chairman of the Audit Committee. The existing Chairman of the Committee has no accounting and financial administration related experience as defined by SAMA's Audit Committee Regulations in Insurance and/or Reinsurance Companies. However, the Company has officially applied to obtain SAMA's letter of no objection in this regard. Moreover, the Audit Committee's policies and procedures are not in compliance with the requirements of SAMA's Regulations, and the Company will amend the Audit Committee's policies and procedures before the next General Assembly of the Company's Shareholders to adopt such policies and procedures after the Board's approval thereof.

Finally, the Company is not in compliance with Article (102) of the Corporate Governance Regulations for Insurance Companies, which stipulates that the Chairman of the Board cannot chair the Nomination and Remuneration Committee.

However, the Chairman of the Board is currently the Chairman of this Committee. It is not also not in compliance with Article (8) of these Regulations, as the Company has not maintained records of remuneration policies and procedures, its code of conduct, or a charter for control functions and detailed job descriptions for managerial positions. Pursuant to Governance Regulations for Insurance Companies, non-compliance with the requirements of the regulations will be deemed a violation of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the conditions for licensing and may expose the Company to sanctions which would have an adverse impact on the Company's financial condition, operations and results thereof.

## **2-1-21 Risks related to accumulated losses**

The accumulated losses of Company reached (SAR10.9) million as of 31/12/2015G, representing (10.9%) of its Share Capital. There is no guarantee that the Company will not continue to record additional losses. If the Company continues to record additional losses, it will be subject to a number of relevant laws and regulations in the Kingdom. Article (148) of the Companies Law provides that the Board of Directors must call the Extraordinary General Assembly to convene to consider continuation or dissolution of the Company before the end of its term if its accumulated losses reach (3/4) three quarters of its capital.

It is to be noted that CMA's Board Resolution No. (4-48-2013) dated 15/01/1435H (corresponding to 18/11/2013G) approved procedures and instructions for listed companies suffering accumulated losses exceeding (50%) fifty percent and less than (75%) seventy-five percent of the Company's share capital. In such a case, the Company must announce its financial statements on a monthly basis (i.e., financial statements must be prepared no later than ten days following the end of each month). Failure of the Company to prepare the required reports may expose it to investigation and penalty, which would negatively impact the Company's business, operations and results thereof.

If the Company's losses exceed (75%) seventy-five percent and less than (100%) one hundred percent of its Capital, trading of its shares would be suspended for one trading session following the announcement on Tadawul website, and clearing would take place within two working days for two full financial years following the financial year in which the accumulated losses of the Company reached (75%) seventy-five percent or more of its capital. In addition, the Company would be required to develop and announce a plan for correcting its situation within a period not to exceed 90 calendar days following the announcement. Details of the implementation of the plan will be announced on a quarterly basis, and the Company will be required to announce its financial statements on a monthly basis no later than (10) days following the end of each month.

If the Company's losses exceed (100%) one hundred percent of its Capital, trading of its shares would be suspended on Tadawul, dealing would be through the Depository Center, and clearing would be imposed within two working days for two full financial years under the same conditions of the announcement of the monthly financial statements and the announcement of the above agenda if the Company's losses are between 75% and 100% of its Capital.

## **2-1-22 Risks related to operation and IT systems**

The business of the Company is highly dependent on the ability of the operational systems and information technology systems. Such systems may be exposed to risks of malfunction, including system crashes, failures, and breaches of security, viruses, human errors, natural disasters, fire, and errors of communication and lack of the skilled labor necessary for the operation and management of such 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 may expose it to investigation and penalties, which would affect its operating results, particularly if the Company were required to announce its financial statements on a monthly basis (for more details on the contracts relating to information technology, see Section 14 "Legal Information").

It should be noted that the Company is not in compliance with Article (19) of the Regulations on Online Insurance Activities, which provide stipulated that the Company must ensure that the information presented on its website is correct, accurate, clear, up-to-date, and comprehensive. Given that the Company's website is not updated as of the date of this Prospectus, the Company may be exposed to regulatory sanctions and its operations and the results thereof would be adversely impacted.

## **2-1-23 Risks related to credit rating**

On 04/02/2016G, the Company received a financial and credit rating of BBB, according to S&P. However, there can be no guarantee that S&P will not reduce the Company's credit rating to a rating below what is customary in the insurance market, which would adversely affect the Company's business.

In addition, as per the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company must select reinsurers with a minimum rating of BBB from S&P or an equivalent rating from an accredited international rating organization. If the insurers have ratings lower than BBB or its equivalent, 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 were unable to obtain SAMA's approval, reinsurance arrangements with low-rated companies must be stopped. This would increase the burdens on the Company and expose it to more risk, including the inability of low-rated reinsurers to fulfill their obligations towards the Company, which would consequently affect its financial condition, operations and results thereof. If a reinsurer's rating is reduced while doing business with the Company, the Company shall obtain SAMA's approval to continue doing business with it. Currently, the Company deals with two reinsurers who have the minimum required rating.

In addition, the Company deals with two reinsurers with a rating of less than BBB whose share of claims is (SAR1.5) million as at 31/12/2015G. If such claims cannot be collected, it would affect the Company's financial condition, operations and results thereof. Also, as of the date of this Prospectus, the Company has not received SAMA's approval to deal with those reinsurers, which may expose the Company to regulatory actions and fines, thereby affecting the Company's future business, financial condition, operations and results thereof.

## **2-1-24 Risks related to risk management policies**

Risk management policies depend on observation of historical market behavior. Therefore, such policies may not be able to accurately predict future potential risks, which may be greater than predicted through historical means. Given the insufficient data available about the Saudi Insurance Market, such information may be inaccurate, incomplete, or obsolete, or it may not be properly provided in all cases. The Company's policies, procedures and internal controls may not be fully effective in all cases and conditions, which may cause the company not to obtain adequate information to properly estimate risk exposure. As a result, the Company's financial condition and operating results may be materially and adversely affected by the consequent increase in risk exposure.

Among the customary practices of insurance companies is the use of multiple financial tools and investments to minimize risks related to their business. In such cases, the Company must obtain the approval of SAMA prior to using such financial tools. Accordingly, possible failure by the Company to obtain SAMA's approval may reduce the means available to the Company to manage such risks in the future. Using any such means without SAMA's approval would subject the Company to various penalties provided in the law, including license withdrawal.

It should be noted that the Company, as of the date of this prospectus, has not issued any decision establishing a Risk Management Committee as required by the provisions of Article (90) of the Corporate Governance Regulations for Insurance Companies, and has not developed written policies and internal control procedures to measure risk tolerance, exposure limits, reduction and control as required by Article (16) of the Risk Management Regulations issued by SAMA. The Company has not submitted to SAMA an annual report detailing the risk management plan adopted and the steps taken for the implementation thereof within the annual reports submitted to SAMA at the end of each year, and has not developed written policies and procedures to measure risk tolerance, exposure limits, reduction and control as required by Article (19) of the Risk Management Regulations issued by SAMA. This exposes the Company to a variety of risks related to the lack of evaluation and control of potential effects of past, present and future events that would be detrimental to the Company and adversely impact its ability to address future risks, performance and financial position. The risks include non-compliance with the Corporate Governance Regulations for Insurance Companies and the Risk Management Regulations issued by SAMA, which is a violation of the Cooperative Insurance Companies Control Law and the Implementing Regulations thereof and the licensing requirements and exposes the Company to sanctions that would adversely affect the Company's financial condition, operations and results thereof.

## **2-1-25 Risks related to disputes and litigation**

In the conduct of its operations, the Company may be exposed to lawsuits and claims related to its insurance operations, and disputes and claims related to insurance coverage. The Company cannot guarantee that no disputes will arise with some of its policyholders, which may lead to lawsuits before the competent judicial authorities brought by or against the Company. As a result, the Company may be exposed to legal claims made by government bodies and departments and investigations within the framework of new controls on the insurance sector in the Kingdom. Of course, the Company cannot anticipate the results of such claims as they are made and does not guarantee that such claims would not have a material effect on its financial condition and results of operations. The company cannot accurately anticipate the cost of legal claims or proceedings that may be brought by or against it or the final results of such claims or judgments passed in respect thereof, including damages and penalties. Therefore, any negative results of such lawsuits would negatively affect the Company.

As of the date of this Prospectus, the Company has two lawsuits filed against it, the total value of claims in which range between SAR 12,100 and SAR 32,600 (for more information, see subsection 14.11 "Details of disputes litigation and claims").



## **2-1-26 Risks related to failure to develop and expand**

The Company's development strategy is to establish and develop insurance projects in the Kingdom. The ability to implement this strategy depends on the management methodology of its business development process at the competitive level in the market as well as external factors related to government regulations and decisions issued by regulatory departments and its competitors. The Company's success in developing its insurance activity cannot be guaranteed. Failure by the Company to implement its expansion plans would have an adverse effect on its continuity, especially in light of strong competition from other insurance companies, which, in turn, would impact the results of its operations and financial condition.

## **2-1-27 Risks related to increase in doubtful debts**

The Company has outstanding debts totaling approximately SAR53.3 million that have been accumulating for more than (90) days, including (SAR16.2) million accumulating for more than 180 days as of 31 December, 2015G. The high value of doubtful debts during 2015G has significantly and adversely impacted the Company's solvency margin and financial position. Failure by the company to implement a serious and effective collection policy would have an adverse effect on the Company's business, prospects, operations, financial condition and/or share price and results thereof.

## **2-1-28 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, affecting 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 ownership rights.

The company has a trademark registered at the Ministry of Commerce under category (36) thirty-six related to private insurance services.

The Company may not be able to prevent others from using an identical or similar brand, which would affect its reputation and reflect negatively on its ability to market its products.

It should also be noted that the Company signed a non-exclusive insurance agency agreement with Rand Insurance Agency and Saudi Hollandi Insurance Agency, which represent the Company in marketing and sales of some insurance policies for and on behalf of the Company, and are entitled to use the Company's logo and brand. Should they misrepresent the Company before its clients, this may affect its reputation and tarnish its image in the market, which would impact negatively on sales, operations and results thereof.

## **2-1-29 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 (formerly Department of 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, as the Zakat amount assessed exceeds the value calculated by the Company by (SAR0.7) million for the period 2012G-2015G. If the appeal filed with the General Authority for Zakat and Income Tax is rejected, the Company will pay the amount of (SAR0.7) million, taking into account that this will have a negative impact on the Company's financial condition and operations.

## **2-1-30 Risks related to change of Shariah Board opinion**

The Company has a Shariah Board specialized in monitoring and legalizing insurance products. Therefore, in the event of a difference in doctrinal opinion or complaints about the extent of compliance of existing and Shariah Board-approved products, the Company's reputation would be adversely affected, which, in turn, would negatively impact its performance and results of operations. It is to be noted that the Company has contracted with the Shariah Review Bureau (as an external Shariah consultant) to audit and oversee the Company's operations. Nineteen insurance products have been approved by the Shariah Review Bureau in preparation for the approval of all insurance and financial operations.

## **2-1-31 Risks related to the Company's financial performance**

According to the company's expectations under the action plan submitted to SAMA for the purpose of capital increase, which are based on certain assumptions the most important of which is the renewal of approvals of existing products as well as expectations relating to claims and operating costs, the Company will achieve profits in the coming years. However, there is no guarantee that these assumptions and expectations will materialize. Accordingly, any delays or failure in

obtaining approvals of existing products, or any failure of the expectations to materialize, would have a negative impact on the Company's profits, future business and results thereof.

### **2-1-32 Risks related to vacancy of key Company positions**

The Company does not have any vacant key positions as of the date of this prospectus. However, if any of the key positions becomes vacant, the Company's productivity will be negatively impacted by any delay in hiring persons with the competence and experience required for candidates for such positions, and would negatively impact the Company's ability to implement its strategies.

### **2-1-33 Risks related to currency exchange rates**

Risks related to currency exchange rates are due to volatility in financial investments resulting from change in exchange rates. Companies exposed to the risk of currency exchange rates often have dealings with parties outside the Kingdom in the currency of those parties. Most of the Company's transactions are conducted in Saudi Riyals and all of its revenues are achieved from clients in the local market and currency. If the Company receives any amounts from the sales of its products or conducts any transactions in a foreign currency, it may be exposed to risks related to currency exchange rates. If significant fluctuations in exchange rates occur, this would negatively impact the Company's financial performance.

### **2-1-34 Risks related to changes in significant accounting standards and new standards**

The Company's financial statements are prepared in accordance with the international accounting standards for financial reports (not the accounting standards generally accepted in the Kingdom and issued by the Saudi Organization for Certified Public Accountants). In this case, the Company is required to comply with any amendments or changes to these standards from time to time. Therefore, any changes in these standards or the compulsory application of some of the new standards will affect the financial statements and, consequently the Company's financial results and financial condition.

### **2-1-35 Risks related to fines**

The Company is required to obtain and maintain the required regulatory permits, licenses, and approvals for its operations, including but not limited to product licenses granted to the Company by SAMA, licenses to open stores issued by the Ministry of Municipal and Rural Affairs, registration certificates for the Company and its branches issued by the Ministry of Commerce and Investment (formerly the Ministry of Commerce and Industry), certificates of membership in the Chambers of Commerce, certificates of trademark registration, Saudization certificates, Zakat certificates, and social insurance certificates.

The Company has not obtained commercial registration certificates for its branches in Riyadh and Khobar from the Ministry of Commerce and Investment (formerly the Ministry of Commerce and Industry) and the required municipal and civil defense licenses for such branches. Accordingly, the Company may be exposed to the sanctions provided in the Fines and sanctions Regulations for Municipal Infractions, which include a fine ranging from (SAR1,000) one thousand Saudi Riyals as a minimum to (SAR5,000) five thousand Saudi Riyals as a maximum and up to site closure. The Company may also be exposed to the sanctions provided in the Commercial Registration Law, which include a fine of no more than (SAR 50,000) fifty thousand Saudi Riyals. Finally, the Company may also be exposed to the sanctions provided in the Cooperative Insurance Companies Control Law, which include a fine of no more than (SAR 1,000,000) one million Saudi Riyals, no more than four-year imprisonment, or both.

SAMA may impose fines on the Company in case of any violation of the rules and regulations concerning, for example, periods imposed by SAMA to settle claims or the language of insurance policies approved by the Company and approved translation of the English texts, the value of which could be up to (SAR1,000,000) one million Saudi Riyals pursuant to Article (21) of the Cooperative Insurance Companies Control Law. This would adversely affect the Company's profits and financial results. Failure by the Company to comply with these regulations, instructions and standards continuously exposes it to financial penalties, thereby leading the Company to incur additional unexpected financial expenses and negatively impacting its operations.

### **2-1-36 Risks related to compliance with safety and fire prevention requirements**

Since the Company has not yet obtained the civil defense licenses for its Riyadh and Khobar branches (although it is to be noted that it intends to apply), it is exposed to sanctions and measures that might be taken due to the lack of such licenses pursuant to the schedule of offenses in the Regulations on Safety Requirements and Means of Protection Required in Residential Buildings and Business Facilities issued by the Ministry of Interior General Directorate for Civil Defense, such as the following:

- A fine of no more than (SAR30,000) thirty thousand Saudi Riyals.

- Cessation of operations in a part or section of the building or facility in the case of risk until such risk is eliminated.
- Allowance of a period of time for the violating facility to correct violations.
- An order to close the facility.

If the Company faces any of these sanctions or procedures, it will have a negative impact on its operations, financial positions and the results thereof.

## 2-1-37 Risks related to corporate governance

The Company has an internal governance system that includes mandatory provisions in accordance with the Corporate Governance Regulations issued by the Authority. However, it does not have approved policies and procedures for the Executive and Investment Committees.

It should also be noted that the Company's Board approved its Governance Regulations on 09/11/1433H (corresponding to 24/09/2012G), which are not currently compatible with the Requirements of SAMA's Governance Regulations issued on 01/08/1437H (corresponding to 10/21/2015G), which require the Board of Directors to develop Governance Regulations for the Company that comply with the requirements of SAMA's Regulations within (360) calendar days from the date of issuance. The Company is currently working on an amendment to its Governance Regulations to meet SAMA's requirements, which will be completed by SAMA's deadline. Note that failure by the Company to comply within the specified deadline would expose it to statutory penalties that would negatively impact the Company's operations and the results thereof.

The Company is also not in compliance with the provisions of Article (21) of the Corporate Governance Regulations for Insurance Companies, which require all insurance companies to provide their shareholders with an online copy of their governance regulations. Note that the Company did post its Governance Regulations immediately after their approval by the Board of Directors and Shareholders. The Company is also not in compliance with the provisions of Article (46) of the Corporate Governance Regulations for Insurance Companies with regard to obtaining a letter of no objection from SAMA regarding the appointment of the Vice Chairman listed in the Company's Commercial Registration despite the lack of a letter of no objection from SAMA and the lack of a listing of such position in the Company's by-laws, which may expose the Company to regulatory sanctions, which would negatively impact the Company's operations and results thereof.

## 2-2 Risks Related to the Market and Regulatory Environment

### 2-2-1 Risks related to compliance with laws and regulations

The Company is subject to the applicable laws and regulations on the insurance sector in the Kingdom, including the Companies Law and the Cooperative Insurance Companies Control Law and its 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 allocations, service standards, technical standards, and settlement arrangements.

Because the Saudi insurance market is a constantly evolving and emerging market, this 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 guarantee that the applicable laws or regulatory framework will not change further or be interpreted in a manner that may materially or negatively impact the Company's operations.

Also, if the company fails to comply with the applicable laws, regulations and instructions, it may be subject to regulatory penalties including fines, suspension of work, and withdrawal of its license to practice insurance, which would negatively impact the Company's operations and results thereof.

As a listed company, the Company is subject to CMA's laws, rules, and requirements. Failure to comply with such laws, rules and requirements would expose the Company to penalties including fines, suspension of stock trading, and delisting shares on the Saudi Stock Exchange (Tadawul), which would negatively impact the Company's operations and the results thereof.

### 2-2-2 Risks related to release of the new Companies Law

The Council of Ministers has recently released a new Companies Law to replace the current one, which will take effect after five (5) months from 22/02/1437H (corresponding to 04/12/2015G), the date of publication in the Official Gazette (Umm Al-Qura). The new Law may impose some new regulatory requirements that must be met by the Company. This requires the Company to take the necessary actions to meet such requirements, which may impact the Company's action plan or take a long time. The new law provides for more stringent penalties for violating its mandatory provisions and rules. Thus, the Company may be exposed to such penalties if it fails to comply therewith, which would adversely affect the Company's operations and the results thereof. It should be noted that this law has allowed companies one year to make the necessary amendments in accordance therewith.

### 2-2-3 Risks related to withdrawal of license to undertake insurance activities

The Company obtained SAMA's license to practice insurance activities on 04/07/1431H (15/06/2010G) and has renewed this license on 04/07/1434H (corresponding 13/05/2013G) for a three-year period expiring on 03/07/1437H (10/04/2016G).

Article (76) seventy six 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:

- a. If the Company does not practice its licensed activities for a period of six months from the issuance date of the license.
- b. If the Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations.
- c. If it is established that the Company has deliberately provided SAMA with false information in its licensing application.
- d. If the Company becomes bankrupt.
- e. If the Company conducts business in a fraudulent manner.
- f. If the paid capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations.
- g. If the insurance activity falls to a limit that SAMA deems unviable for the Company to operate under.
- h. If the Company refuses or delays payments of dues without just causes.
- i. If the Company refuses to have its records examined by the inspection team appointed by SAMA.
- j. If the Company fails to pay 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, which would adversely and materially impact the Company's activity, continuity, financial position, operations and results thereof. Additionally, the shareholders may lose part or all of their investments in the Company.

### 2-2-4 Risks related to solvency requirements

Pursuant to Articles (66), (67) and (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company is required to maintain a minimum Solvency Margin for various insurance operations. It should be noted that the Company's solvency margin reached (19.1%) as at 31/12/2014G, which means that the Company has not complied with the requirement to maintain the minimum full margin coverage of 100%. Certain investments valued at four million Saudi Riyals have been categorized improperly, and if properly categorized, the Company's solvency margin cover would have reached (15.1%) on 31/12/2015G.

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

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

If the Company is unable to satisfy the solvency requirements within a time-frame set by SAMA and after taking the aforementioned actions, SAMA may solicit the appointment of an advisor (to provide 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 the margin of solvency may be affected primarily by the mandatory technical provisions that must be retained, which in turn are affected by the volume of the insurance policies sold and the regulations specifying the statutory reserve. It is also influenced by several other factors including profit margin, return on investment and cost of insurance and reinsurance. If the Company continues to grow quickly, or if required solvency limits increase in future, the Company may have to increase its capital to meet the required solvency limits, which could lead to inflation of the capital. If the Company is not able to increase its capital, it may be forced to limit the growth of activities and accordingly not declare any dividends. Alternatively, it may result in the application of penalties against the Company that may result in the withdrawal of its license in some exceptional cases.

SAMA periodically requires additions or changes to solvency margin requirements, which may lead to a negative impact on the company's operations, financial condition and results thereof through allocations of additional reserves.

The Company's ability to effectively manage risks and properly price its products may lead to a reduction of the valuation of acceptable assets, which, in turn, may negatively impact the calculation of the required solvency margin.

## 2-2-5 Risks related to reporting requirements

The Insurance Law and its Implementing Regulations require the Company to periodically file financial statements and annual reports with SAMA, prepared on a regulatory accounting basis, and other information, including the Company's general business operations, capital structure, ownership, and financial condition with annual statements of total contingent commissions paid. The Company may be subject to regulatory actions, sanctions and fines if SAMA believes that the Company has failed to comply with any applicable laws, regulations or 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 operations, financial position and results thereof.

It should be noted that certain investments with a value of (4) million Saudi Riyals had been categorized improperly in one of the reports submitted to SAMA, and if properly categorized, the Company's solvency margin cover would have reached (15.1%) on 31/12/2015G.

In addition, the Company may be subject to penalties and fines in the event that it fails to fulfill the requirements of the Capital Market Authority and the listing and disclosure rules in effect at the Saudi Stock Exchange (Tadawul), which would have a material adverse effect on the Company's business.

## 2-2-6 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, and opening of the insurance market in the Kingdom to foreign companies is generally a matter whose future is subject to a number of uncertainties that are beyond the control of the Company, but which could have a material adverse effect on the Company's business.

## 2-2-7 Risks related to limited historical market data

Although the Saudi market is not new to the concept of insurance, it was just recently regulated. Therefore, the required information and historical data to accurately build insurance schedules have not been collected or made available. Therefore, insurance companies have depended for estimation of losses and assessment of premiums on estimates not at the required level of precision, and accordingly the rate of risks for insurance portfolios might increase, resulting in losses to the Company, which would have an adverse effect on the Company's business.

## 2-2-8 Risks related to cultural awareness of insurance and its importance in the Kingdom

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

## 2-2-9 Risks related to competition

The Company is likely to find itself operating in an increasingly competitive environment as the number of licensed insurance companies has reached (35) and they are in intense competition to increase their market share. The competitive position of the Company will be based on many factors, including financial strength, the geographical scope of its business, business relations with customers, the premiums charged, the terms and conditions of policies issued, the services and products offered, the Company's ability to design insurance programs according to the requirements of the market, quick payment of claims, the 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:

- a. Reducing margins and spreads.
- b. Hindering the growth of the Company's customer base.
- c. Reducing market share.
- d. Increasing turnover of management and sales personnel.
- e. Elevating operating expenses, such as sales and marketing expenses.
- f. Increasing policy acquisition costs.

## **2-2-10 Risks related to consumer confidence**

Consumer confidence in the international insurance sector is vital to the industry's strength. Any drop in consumer confidence in the insurance industry will result in higher cancellations of insurance policies and refund of money, which would adversely affect the Company's sales of these products, and accordingly affect its financial condition.

## **2-2-11 Risks related to approvals for new products or renewal of existing ones**

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

It is to be noted that the Company has obtained SAMA's approval to sell (18) products, while (24) products have provisional approvals and (2) products are under review. The Company obtained a six-month extension for provisional approvals on 26/03/1437H (corresponding 06/01/2016).

## **2-2-12 Risks related to economic and 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. Unstable global economic conditions and a significant drop of 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 demand for the 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, competition and judicial decisions may affect the size of future claims and adversely affect the industry's profitability and returns.

Drops in oil prices will significantly affect local income, economic activities, and individual incomes, and consequently will affect the ability of individuals and companies to purchase the insurance products offered by the Company, which will lower the Company's sales and affect its financial position.

Expensive rents, which are affected by economic variables in the Kingdom, will lead to higher costs to the Company, which may change the locations of its branches to other places. The transition period to other branches would lead to a slowdown in the Company's business until the completion of the transition process, and would adversely affect the Company's sales and results of operations.

## **2-2-13 Risks related to restriction on ownership of insurance companies**

The Cooperative Insurance Companies Control Law places certain restrictions on owning shares in insurance companies. According to Article (9) nine of the Law and Article (39) thirty nine of its Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without written approval from SAMA. In compliance with Article (38) thirty eight of the Implementing Regulations, the Company shall notify SAMA of the percentage ownership of any person who owns (5)% or more of the Company shares through a quarterly report and the person himself shall notify SAMA in writing of his ratio in ownership and any changes thereof within five working days of the date of occurrence of such change.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays timely approval, or places conditions that cannot be implemented, which will in turn adversely affect the Company's operations.

## **2-2-14 Risks related to the insurance business cycle**

The global insurance industry has undergone periodic 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 of price competition due to the excess of supply, and other periods during which companies will receive better premiums. In addition, the increase in the 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 will 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 Kingdom's economy, and thus on the Company's customers to renew their relationship with it and its ability to obtain new customers, which would consequently have negative impacts on the Company's revenues, profits, operations and results thereof. Such risks would have a negative impact on capital markets and thus would lead to a substantial negative impact on the Company's share price and the investors' loss of all or part of the value of their investments.

## 2-2-16 Risks related to compliance with Saudization and GOSI requirements

The Ministry of Labor and Social Development (formerly the Ministry of Labor) has introduced the "Nitaqat" program, which is designed to encourage companies to employ Saudi citizens and increase the percentage of Saudi employees in the workforce, a process known as "Saudization." Under this program, a company's compliance with Saudization requirements is measured against the percentage of Saudi nationals in the workforce, compared with the average rate of Saudization among companies in the same industry.

The Company has achieved a Saudization percentage of 47.78% as at 02/03/2016G, placing it in the "high green" category of the Nitaqat program. There can be no guarantee, however, that the Company will succeed in keeping Saudization within the prescribed regulatory levels. The Company may be exposed to penalties in the event of non-compliance with decrees issued in this regard, including stoppage of new work visas for foreign employees needed by the Company, stoppage of transfers of sponsorships for non-Saudi employees, and/or excluding the Company from participating in government tenders, which would adversely affect the Company's business, operations and the results thereof.

SAMA requires the Company to achieve a Saudization percentage of 50% by October 2015G and 55% in 2016G. The Company did not achieve the required rate in 2015G, but it is noteworthy that the Saudization rate at the Company reached 50.8% as of 09/03/2016G. Failure to maintain the Saudization rate required by SAMA may lead to non-renewal of its license, which would lead to suspension of its business. The Company is increasing the Saudization rate to reach (55%) during the first and second quarters of 2016G.

Finally, the number of employees mentioned in the certificate issued by the General Organization for Social Insurance (GOSI) does not match the number of employees that is mentioned in the Company's records and Nitaqat Certificate related to Saudization. This discrepancy will soon be rectified by the Company after the issuance of the Social Insurance Certificate and a renewed Nitaqat Certificate; the Social Insurance Law requires registration of all of the Company's employees with GOSI and punishment of any violation of any of the provisions of the Social Insurance Law and its Implementing Regulations by a fine not exceeding (SAR5,000) five thousand Saudi Riyals. Fines are multiplied by the number of employees against whom violations are committed, to a maximum of (SAR50,000) fifty thousand Saudi Riyals per instance. Any such fines imposed on the Company will have an adverse effect on its operations, financial position and the results thereof.

## 2-2-17 Risks related to non-Saudi employees

The Government of Saudi Arabia has taken steps and procedures to regulate the employment of non-Saudi workers under the Labor Law and Residence regulations by which it seeks to take action against companies and foreign employees not actually employed by their sponsors or who carry out work not matching their job titles shown on their residence permits.

As of the date of this Prospectus, all non-Saudi employees employed by the Company are under its sponsorship. However, their jobs, in certain cases, do not match the job titles listed in their residence permits. Non-compliance with the regulatory procedures for employment of non-Saudi employees is punishable by fines imposed by the Ministry of Labor and Social Development (formerly the Ministry of Labor) up to (SAR100,000) one hundred thousand Saudi Riyals per employee whose employment is in violation of the regulations. Imposition of fines or sanctions against the Company in such cases will adversely affect its business, operations and the results thereof.

## 2-2-18 Risk related to availability of qualified local staff in the insurance industry

The Saudi labor market may not be able to fulfill the Company's needs of qualified personnel. If the Company cannot recruit qualified staff from the local market, it must recruit them from outside the Kingdom. There can be no guarantee that the Company will be able to obtain a sufficient number of work visas from the Ministry of Labor in the Kingdom, especially in light of the Saudization requirements, which creates high competition among insurance companies in the Kingdom to train and qualify their personnel and recruit qualified personnel from the local market, which may lead to increased wages that may pose an additional burden on the Company. In addition, if the Company is unable to recruit and retain qualified personnel, it may face obstacles to the implementation of its strategy, which would negatively affect its financial position, operations and the results thereof.

Reference is made to SAMA's circular No. (38639/M Ta'/1051) dated 03/08/1430H (corresponding to 25/07/2009G) regarding the mandatory requirement to obtain (IFCE) certificates for some insurance companies' employees. In 2014, (7) seven

employees applied to obtain this certificate and (3) three of them have obtained the (IFCE) certificates. The remaining (15) fifteen employees required to obtain this certificate will take the test, and all of them have attended a training course. Failure to obtain the certificate would prevent the employees from working with the Company, lead to a shortage of staff and adversely affect the Company's business, operations and the results thereof.

## **2-2-19 Risks related to the insurance business**

Risk management is a matter of judgment, involving important assumptions that are inherently unpredictable and beyond the Company's control, and for which historical experience and probability analysis do not provide adequate guidance. Accordingly, incorrect assessment of risks to which the Company may be exposed may have a material adverse effect on the Company's financial position, operations and the results thereof.

## **2-2-20 Risks related to lack of control over prices**

The Company is committed to follow the guidance of the actuary reports and SAMA's instructions on pricing insurance policies, which may require changes in the prices of the Company's policies. If one of the Company's products has a high price, the Company will be unable to attract new customers and lose its current customers to other companies. Any future change in prices will affect the Company's market share as well as its sales, operations and the results thereof.

## **2-2-21 Risks related to unexpected disasters**

Insurance of industrial facilities and residential and commercial buildings is an important source of revenue for the Company due to the fees charged for the management of portfolios involving them and investment of its money. The insurance portfolio may be exposed to losses due to disasters because it covers risks to property. Disasters may occur for various and unpredictable reasons, natural or non-natural, such as sand or snowstorms, floods, winds, fires, explosions, industrial accidents, and/or acts of terrorism, which may lead to a deficit of coverage.

The extent of the losses caused by disasters is the result of two things:

- a. The total amount at risk insured in the area affected by the event.
- b. The severity of the event.

Disasters can cause losses in various types of property and liability insurance. Claims related to disasters may result in large fluctuations in the financial results of the Company. Serious disaster events may have a material negative impact on the Company's financial condition, operations and the results thereof.

## **2-2-22 Risks related to compliance with the regulatory retention requirements**

The company recorded retention ratios of 19.3%, 29.3% and 21.8% for the years 2013G, 2014G and 2015G, respectively. These ratios do not meet the requirements of Article (40) of the Implementing Regulations, which requires cooperative insurance companies to have a retention ratio of 30%.

Pursuant to the provisions of Article (21) of the Cooperative Insurance Companies Control Law, SAMA may impose a fine of up to (SAR1,000,000) one million Saudi Riyals on the company, which would adversely affect the Company's business results.

## **2-3 Risks Related to the Shares**

### **2-3-1 Risks related to potential volatility in the share price**

The market price of the Company's Rights during the Offering period may not be indicative of the market price of the Company's Shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market trends in connection with the Rights or the Company's existing Shares.

These fluctuations may also result from several factors including, among others, market conditions for equity, any regulatory changes in the insurance sector or conditions and trends of the insurance sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures, changes made by experts and securities analysts concerning the financial performance estimates.

There is no guarantee that the market price of the Company's Shares will not be lower than the issue price. If this happens once the investors have exercised their Rights, such subscription may not be canceled nor amended; therefore, the investors



may immediately suffer from unrealized losses. Moreover, there is no guarantee that the Shareholder will be able to sell his Shares at a price equal or higher than the issue price after exercising Rights.

Selling substantial quantities of Shares by the shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

### **2-3-2 Risks related to potential fluctuations in the price of the Rights**

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the limits of price change allowed for trading in the Rights (share's indicative value), as compared to the authorized limits of price change (10%) upward or downward. In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights. Accordingly, speculation on the Rights is exposed to risks that may cause material losses. In case a speculator fails to sell the Rights before the end of the Trading Period, he will be forced to exercise these Rights to subscribe for New Shares and may incur some losses. Thus, investors should review the full details of the mechanism of listing and trading of Rights and New Shares and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

### **2-3-3 Risks related to 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 Company's 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 obtained by an Applicant either (a) through subscription to the Rights, (b) during the Rump Offering or (c) in the open market.

### **2-3-4 Risks related to dilution of ownership**

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's capital increase.

It is to be noted that the Company has received letters of promise confirming its commitment to subscription from Saudi National Insurance Company BSC, Saudi Hollandi Bank, Neue Rückversicherungs-Gesellschaft (NewRe), Ebrahim A. Juffali and Brothers, and owners of a total of 62.5% of the Company's shares.

### **2-3-5 Risks related to failure to exercise the rights in a timely manner**

[The subscription period will start on 06/11/1437H (corresponding to 09/08/2016G) and end on 20/11/1437H (corresponding to 23/08/2016G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the subscription period. If the holders of the Rights and the financial intermediaries are not able to properly follow the procedures for the trading of the Rights, the Subscription Application Form may be rejected (please see Section 18 "Subscription Terms and Conditions").

If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Second Offering Period, according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to the eligible shareholders who did not subscribe, or who did not properly exercise the underwriting procedures.

### **2-3-6 Risk related to effective control by the Founding Shareholders**

The Saudi National Insurance Company BSC owns 27.5% of the Company's share capital, while Saudi Hollandi Bank owns 20.0% of the Company's share capital. Neue Rückversicherungs-Gesellschaft (NewRe) owns 10.0% of the Company's share capital. Collusion of substantial Shareholders may affect the formation of the majority in the Shareholders' General Assemblies, which will influence the Company's important decisions, namely, decisions requiring Shareholder approval, including significant expenditures and appointment and termination of directors (except as prescribed by Articles (69)

and (70) of the Companies Regulations and Article (18) of the Corporate Governance Regulations). As a result, they may use their influence over important decisions in a manner that materially affects the Company's business, financial position, operations and the results thereof.

### **2-3-7 Risks related to dividends**

Future dividends will depend on, amongst other things, future profit, financial position, capital requirements, distributable reserves, available credit of the Company, and general economic conditions. Increase in share capital increase may lead to dilution in the profitability of shares in the future because the Company's dividends would be distributed among a larger number of shares.

The Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount that will be distributed in any given year. Dividend distribution is subject to certain restrictions and conditions provided for in the Company's By-Laws (please see Section 13 "Summary of the Company's By-Laws") and SAMA's approval.

### **2-3-8 Risks related to expiry of the lock-up period**

Founding shareholders who collectively hold 70% of the Company's total shares were restricted from trading their shares for a period of (3) three financial years that ended on 28/02/1435H (corresponding to 31/12/2013G). Accordingly, the founding shareholders have the right to dispose of their shares after obtaining SAMA and CMA approvals. The sale or purchase of more shares by the founding shareholders would have impact on the Company's share value.

### **2-3-9 Risks related to forward-looking statements**

Some data contained in this Prospectus constitute forward-looking statements, but are not a guarantee of performance in the future. These forward-looking statements and information involve known and unknown risks and other factors that may affect the Company's actual results and, thus, its performance and achievements. There is a number of factors that may affect the Company's actual performance, achievements and results and lead to significant variation from expressed or implied projections in the mentioned statements. Should one or more of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate, actual results may be materially different from the results mentioned in this Prospectus.

### **2-3-10 Risks related to potential issuance of new shares**

The company does not, currently, have future plans to issue new shares (except for the Rights mentioned in this Prospectus). If the company decides to increase its capital by issuing new shares and preventing existing shareholders from exercising their Rights upon issuing new Rights, their ownership of shares will proportionally decline along with their consequent right to vote and right to receive dividends. Any additional offering may have a material impact on the share market price.

### **2-3-11 Risks related to non-exercise of Rights by Substantial Shareholders**

If the Substantial Shareholders, including the Strategic Shareholders, do not subscribe for their full rights to obtain New Shares in the Offering, their ownership, voting rights pertaining thereto and their representation on the Board of Directors will decrease, along with the return they receive due to the decrease of their shareholdings in the Company's share capital. The decrease in the major shareholders' voting rights will be reflected in their support and the extent of their influence over making significant decisions for the Company, which will affect the Company's decisions and financial position.

### **2-3-12 Risks related to absence of a prior market for the Rights**

The Rights market is a new market for investors on Tadawul and, as such, many investors may not be familiar with the mechanism of trading in rights. This will adversely affect their willingness to invest and trade in rights. Accordingly, the percentage of their ownership in the Company will be reduced, which will lead to a negative impact on those who have not exercised their rights of subscription, particularly in the case that no compensation is distributed to them, or when Institutional Subscribers do not offer a higher price for the Rump Shares.

### **2-3-13 Risks related to the Strategic Shareholders selling their equity or exiting the Company**

The Strategic Shareholders (Saudi National Insurance Company BSC, Saudi Hollandi Bank, and Neue Rückversicherungs-Gesellschaft (NewRe)) provide the Company with their technical, technological, administrative, and marketing expertise. Their representatives on the Company's Board of Directors adds great value to the Company and helps in defining the Company's strategy and management approach. The Strategic Shareholders are not subject to any contractual restrictions

that limit their ability to sell all or part of their Shares. That said, the Listing Rules require any person holding (10%) ten percent or more of the shares issued by a listed Company to obtain the CMA's approval before disposing of any of their shares, which will apply to the Strategic Shareholders and the Founding Shareholders. The Strategic Shareholders must also obtain SAMA's approval before disposing of any of their shares. If any Strategic Shareholder sells all of his Shares in the Company, the Company will no longer benefit from its expertise, which may have an adverse effect on the Company's financial position, operations and the results thereof.

#### **2-3-14 Risks related to Qualification Shares**

Pursuant to Article (68) of the Companies Law, Directors shall hold shares with a nominal value of no less than ten thousand Saudi Riyals. Should a Director fail to provide such Qualification Shares within the period specified therefore, his membership on the Board shall be deemed null and void, which will adversely affect the Company. There are a number of new members of the Board of Directors and, therefore, shares have not yet been allocated to them. However, and in all cases, the allocation of such shares is underway to avoid any matters that may affect their membership of the Board.

The Company's By-Laws provide that each Director shall provide Qualification Shares equivalent to no fewer than (5,000 shares) five thousand shares against any contract arising between him and the Company—which requires the approval of the Ordinary General Assembly. There is a number of valid insurance policies for a number of Directors, who, as of the date of this Prospectus, have not provided such Qualification Shares, which is a violation of the provisions of the Company's By-Laws. This may expose the Company to sanctions by SAMA, which require the Company to provide in its By-Laws that each Director shall provide such Qualification Shares against any contract arising between him and the Company approved by the Ordinary General Assembly, which will have an adverse effect on the Company's financial position, operations and the results thereof.

#### **2-3-15 Risks related to trading in the Rights**

Trading in Rights is subject to risks that may cause substantial losses because the range of daily fluctuation allowed for rights trading prices ("Indicative value of the right") exceeds the range of daily volatility allowed for stock prices (10% up or down). There is also a direct correlation between the Company's share price and the share's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for share trading.

In case a speculator fails to sell the Rights before the end of the Trading Period, he will be forced to exercise these Rights to subscribe for New Shares and may incur some losses. Thus, the investors should review the full details of the mechanism of listing and trading of Rights and New Shares and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

#### **2-3-16 No guarantee that Eligible Persons will be compensated**

The subscription period will start on Tuesday 06/11/1437H (corresponding to 09/08/2016G) and end on Tuesday 20/11/1437H (corresponding to 23/08/2016G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and subscribe to the new shares prior to the expiry of the subscription period (please see section 18 "Subscription Terms and Conditions"). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the subscription period, according to the Rights held by them, then there can be no assurance that a compensation amount will be distributed to the Eligible Persons who did not participate or did not properly subscribe for the New Shares.

## 3. Industry and Market Data

### 3-1 Sources of Information

For the purposes of this Prospectus, the Company has acquired information and data on the insurance industry from various public sources that the Company believes to be reliable. While the Company's advisors, listed in pages (vii) and (viii) of this Prospectus, have no reason to believe that any of the information in this section is materially inaccurate, such information has not been independently verified and no representation is given as to its accuracy. The sources of information and data related to the Saudi economy and insurance industry include:

#### **SAMA's 51st Annual Report and Saudi Insurance Market Report 2014G**

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1372H (1952G). Its principal functions and competencies include:

- Issuing the national currency of the Kingdom (the Saudi Riyal)
- Managing the Kingdom's foreign currency reserves
- Acting as a bank for the Government and overseeing commercial banks
- Controlling, supervising and regulating the insurance industry
- Managing monetary policy to promote price and exchange rate stability
- Promoting growth and ensuring the soundness of the financial system

The information prepared by SAMA used in this Prospectus is publicly available on the internet. Therefore, no consent has been pursued to use such information.

#### **Tadawul's annual statistical report for 2015G**

The Saudi Stock Exchange Company (Tadawul) was established in 1428H (2007G). Its most important purposes include providing, creating and managing the mechanisms for trading in securities; conducting settlement and clearing operations for securities; and depositing, registering ownership and disseminating information of securities.

The information prepared by Tadawul used in this Prospectus is publicly available on Tadawul's website. Therefore, no consent has been pursued to use such information.

#### **Swiss Reinsurance Company ("Swiss Re") Global Insurance Review 2013G and 2014G**

A leading global reinsurance company founded in 1863G in Zurich, Switzerland with operations in more than 25 countries around the world, Swiss Re issues reports on the insurance sector all over the world.

The information prepared by Swiss Re used in this Prospectus is publicly available on the internet. Therefore, no consent has been pursued to use such information.

### 3-2 Overview of Saudi Economy

The Saudi economy continued its positive growth in 2014G, driven by continuous government spending on development projects and continuous structural and regulatory reforms that aim to achieve sustainable economic growth through diversification of the production base and increasing the contribution of the non-oil sector. During 1431H-1435H (2010G-2014G), the development policy continued to achieve the objectives of the ninth development plan. This is amply demonstrated in:

- Increased GDP growth rates at constant prices, particularly in economically efficient activities (such as manufacturing, petrochemicals and services)
- Lower inflation and unemployment rates
- The economic policy's ability to overcome the repercussions of the financial crisis and its consequences represented by the slowdown of global economic growth

In 2014G, GDP at constant prices (based on 2010G) recorded a growth of 3.5% to reach SAR2,431.9 billion, compared to a growth of 2.7% in 2013G. GDP of the oil sector in 2014G recorded an increase of 1.5% to reach SAR1,037.6 billion, compared to a decrease of 1.6% in 2013G, while GDP of the non-oil sector in 2014G recorded an increase of 5.0% to reach SAR1,374.3 billion, compared to an increase of 6.4% in 2013G. GDP of the private non-oil sector in 2014G increased by 5.6% to reach SAR959.6 billion, compared to an increase of 7.0% in 2013G, while GDP of the governmental non-oil sector in 2014G increased by 3.7% to reach SAR414.7 billion, compared to an increase of 5.1% in 2013G.

Population in KSA is estimated to have increased by 2.6% from 30.0 million in 2013G to 30.8 million in 2014G, compared to an increase of 2.7% in 2013G. Consumer price inflation rates decreased from 3.5% in 2013G to 2.7% in 2014G.

In the oil market, OPEC's 2014 data indicates a decrease in the average price per barrel of Arabian light oil by 8.8% to

reach USD97.2 per barrel compared to approximately USD106.5 per barrel in 2013G. For Saudi Arabia's oil production, data from the Ministry of Energy, Industry and Mineral Resources (formerly the Ministry of Petroleum and Mineral Resources) indicates an increase in the daily average oil production in 2014G to reach 9.7 million barrels compared to approximately 9.6 million barrels in 2013G, i.e. an increase of 0.8%.

**Table 2: Selected economic indicators of KSA**

Selected key economic indicators of KSA	2011G	2012G	2013G	2014G
GDP at constant prices (based on 2010G) (SAR billion)	2,172.29	2,289.25	2,350.37	2,431.88
GDP of oil sector at constant prices (based on 2010G) (SAR billion)	N/A	N/A	1,022.38	1,037.62
GDP of non-oil sector at constant prices (based on 2010G) (SAR billion)	N/A	N/A	1,308.81	1,374.28
GDP of private non-oil sector at constant prices (based on 2010G) (SAR billion)	N/A	N/A	908.85	959.59
GDP of government non-oil sector at constant prices (based on 2010G) (SAR billion)	N/A	N/A	399.96	414.69
Import duties at constant prices (based on 2010G) (SAR billion)	N/A	N/A	19.18	19.99
GDP at current prices (SAR billion)	2,510.65	2,752.33	2,791.26	2,798.43
GDP of oil sector at current prices (SAR billion)	1,276.42	1,376.58	1,290.79	1,168.98
GDP of non-oil sector at current prices (SAR billion)	1,216.95	1,354.26	1,479.30	1,605.94
GDP of private non-oil sector at current prices (SAR billion)	845.78	940.79	1,042.32	1,140.19
GDP of government non-oil sector at current prices (SAR billion)	371.17	413.47	436.98	365.75
Import duties at current prices (based on 2010G) (SAR billion)	17.29	21.49	21.17	23.52
Estimates of population in KSA (million)	28.37	29.20	29.99	30.77
GDP at current prices per Capita (SAR)	88,500	94,300	93,000	91,000
Consumer price inflation rates (%)	3.72	2.87	3.52	2.68
The Kingdom's daily average of oil production (million barrel)	9.31	9.76	9.64	9.71
Average price per barrel of Arabian light oil (USD)	107.82	110.22	106.35	97.18

Source: SAMA - Annual Reports

During 2012G-2014G, most key economic activities at constant prices increased by various rates. Manufacturing industries increased at a CAGR of 5.6%; construction increased at a CAGR of 7.3%; transportation, storage and communications increased at a CAGR of 6.3%; wholesale, retail, restaurants and hotels increased at a CAGR of 6.3%; electricity, gas and water increased at a CAGR of 6.1%; finance, insurance, real estate & business services increased at a CAGR of 6.6%; government services increased at a CAGR of 4.1%; agriculture, forestry and fishing increased at a CAGR of 1.8%; and mining and quarrying decreased at a CAGR of 0.3%.

**Table 3: GDP by Economic Activity Type at Constant Prices**

GDP by economic activity type at constant prices (based on 2010G) (SAR billion)*	2012G	2013G	2014G	CAGR 2012G-2014G
Agriculture, forestry and fishing	48.69	49.62	50.50	1.8%
Mining and quarrying	977.51	963.60	971.00	-0.3%
Manufacturing industries	247.27	255.60	275.62	5.6%
Electricity, gas & water	29.36	29.84	31.56	3.7%
Construction	104.50	112.62	120.21	7.3%
Wholesale, retail, restaurants & hotels	199.62	212.70	225.42	6.3%
Transport, storage & communication	120.86	128.62	136.60	6.3%
Finance, insurance, real estate & business services	199.93	218.37	227.35	6.6%
Public, social and personal services	42.59	45.34	47.91	6.1%
Less: Imputed Bank Service	(19.96)	(20.17)	(20.37)	1.0%

GDP by economic activity type at constant prices (based on 2010G) (SAR billion)*	2012G	2013G	2014G	CAGR 2012G-2014G
Government services	319.35	335.06	346.10	4.1%
Import Duties	19.54	19.18	19.99	1.1%
GDP (based on 2010G)	2,289.25	2,350.37	2,431.88	3.1%

Source: SAMA - Annual Reports

\*The figures of 2011G at constant prices based on 2010G were not published.

The total public revenues of the Kingdom reached SAR1,044.4 billion in 2014G compared to SAR1,156.4 billion in 2013G (decrease of 9.7%) due to a decrease in public oil revenues to SAR913.4 billion in 2014G compared to SAR1,103.1 billion in 2013G (with a decrease of 11.8%), while the total public expenditure of the Kingdom reached SAR1,109.9 billion in 2014G compared to SAR976.0 billion in 2013G (with an increase of 13.7%).

The Kingdom's real public budget in 2014G recorded a deficit of SAR65.5 billion (i.e. approximately 2.3% of GDP at current prices) coupled with a surplus of SAR180.4 billion in 2013G (i.e. approximately 6.5% of GDP at current prices).

Public debt to GDP at current prices declined from 2.2% in 2013G to 1.6% in 2014G.

**Table 4: Public Finance Statistics in KSA**

Public Finance Statistics in KSA	2011G	2012G	2013G	2014G	CAGR 2011G-2014G
Total public revenues (SAR billion)	1,117.79	1,247.40	1,156.36	1,044.37	-2.2%
Oil public revenues (SAR billion)	1,034.36	1,144.82	1,035.05	913.35	-4.1%
Non-oil public revenues (SAR billion)	83.43	102.58	121.31	131.02	16.2%
Real Expenditures (SAR billion)	826.70	873.31	976.01	1,109.90	10.3%
Public budget surplus/deficit (SAR billion)	291.09	374.09	180.35	(65.54)	Insignificant
Public budget surplus/deficit to GDP ratio at current prices (%)	11.59	13.59	6.46	(2.34)	N/A
Public debt to GDP ratio at current prices (%)	5.40	3.05	2.15	1.58	N/A

Source: SAMA - Annual Reports

### 3-2-1 The Saudi Stock Market

The Saudi stock market made strong gains in 2011G-2014G due to a strong earnings growth rate recorded by Saudi companies and the recovery in the global economy. During this period, Tadawul All-Share Index (TASI) increased at a CAGR of 9.1%. The market value of issued shares also increased at a CAGR of 12.57% during the same period. The total value of traded shares increased at a CAGR of 25.0%, while the total number of trades executed increased at a CAGR of 11.9% during the same period. The TASI price-earnings ratio also increased from 12.3 times at the end of 2011G to 14.0 times at the end of 2014G.

In 2015G, TASI decreased by 17.1% and closed at 6,911.8 (compared to 8,333.3 in 2014G) due to the negative impact of low oil prices. In 2015G, the market value of issued shares also decreased by 12.9%, recording SAR1,579.1 billion (compared to SAR1,812.9 billion in 2014G). The total value of traded shares in 2015G decreased by 22.6%, recording SAR1,660.6 billion (compared to SAR2,146.5 billion in 2014G). Total number of trades executed in 2015G decreased by 14.9%, recording SAR30.4 million (compared to SAR35.8 million in 2014G). The TASI price-earnings ratio decreased to 13.8 times at the end of 2015G compared to 14.0 times at the end of 2014G.

The Saudi insurance industry index made strong gains in 2011G-2014G, increased at a CAGR of 8.6%. The market value of issued shares by insurance companies also increased at a CAGR of 16.5% during the same period. The total value of traded shares of insurance companies recorded an increase during the same period at a CAGR of 17.3%, while the total number of trades executed on the shares of insurance companies increased during the period at a CAGR of 6.9%.

In 2015G, the Saudi insurance industry decreased by 2.5% and closed at 1,243.9 (compared to 1,275.9 in 2014G). The market value of issued shares of insurance companies also increased in 2015G by 1.6%, recording SAR40.4 billion (compared to SAR39.8 billion in 2014G). The total value of traded shares of insurance companies in 2015G decreased by 34.0%, recording SAR210.6 billion (compared to SAR319.1 billion in 2014G). The total number of trades executed on shares of insurance companies in 2015G decreased by 21.6%, recording SAR6.7 million (compared to SAR8.5 million in 2014G).



**Table 5: Stock Market Indexes in KSA**

Stock market indexes in KSA	2011G	2012G	2013G	2014G	CAGR 2011G-2014G
Tadawul All-Share Index	6,417.73	6,801.22	8,535.60	8,333.30	9.10%
Change in Tadawul All-Share Index (%)	-3.07	5.98	25.5	-2.37	Insignificant
Market value of issued shares (SAR billion)	1,270.84	1,400.34	1,752.86	1,812.89	12.57%
Total value of traded shares (SAR billion)	1,098.84	1,929.32	1,369.67	2,146.51	25.01%
Total number of trades executed (million trades)	25.55	42.11	28.97	35.76	11.86%
Price-earnings ratio of TASI (price/net income)	12.29	12.85	15.2	14.01	4.46%
Saudi insurance industry index	996.63	1,361.66	1,207.18	1,275.94	8.58%
Change in Saudi insurance industry index	9.34	36.63	-11.34	5.70	Insignificant
Market value of issued shares of insurance companies (SAR billion)	25.14	38.65	36.85	39.77	16.52%
Total value of traded shares of insurance companies (SAR billion)	197.47	451.04	266.84	319.07	17.34%
Total number of trades executed on the shares of insurance companies (million trades)	6.96	13.04	8.31	8.51	6.93%

Source: Tadawul - Annual Statistical Reports

### 3-3 Overview of the global insurance market in the Middle East and North Africa Region

According to Swiss Re, after the 2013G recession, global insurance markets continued their recovery in 2014G. The size of the global insurance market, in terms of the Gross Written Premiums (GWP) amounted to USD4,778 billion in 2014G, growing by 4.0% compared to the previous year. This growth is due to an increase by 4.3% in life insurance premiums reaching USD2,655 billion in 2014G, following a decline of 1.8% in 2013G, and growth by 2.9% in non-life insurance to 2,124 billion in 2014G, compared to a growth rate of 2.7% in 2013G.

In 2014G, according to Swiss Re, developed markets witnessed a significant increase in GWPs after five years of recession with a growth rate of 2.9% compared to 2013G, while the growth rate in emerging markets was stable at around 7.4% during the same period.

According to Swiss Re, the European, North American and Asian markets are the major insurance markets in the world, accounting for 35.5%, 29.4% and 27.6% of the total global insurance market size in 2014G, respectively. GWPs in the MENA region accounted for USD39.0 billion with only about 0.8% of the total global insurance market in 2014G.

#### 3-3-1 Insurance Market in MENA Region

Despite high growth during the past five years, the insurance industry in MENA is still in its nascent stages, compared with other more advanced economies. Proof of this is low penetration and density rates, low capitalization rates and, to some extent, weakness of the legislative regulations of the insurance industry compared to more developed economies.

According to Swiss Re, in recent years, MENA insurance markets witnessed strong growth rates driven by economic expansion, increased awareness, regulatory reforms and initiatives undertaken by governments. GWPs in this region have grown at a CAGR of 8.1% in the period from 2011G to 2014G, which is much higher than the growth in the global insurance market, which rose at a CAGR of 1.5% during the same period.

**Table 6: GWPs of MENA Countries**

MENA Countries	2011G	2012G			2013G			2014G			CAGR 2011G-2014G
	GWPs (USD million)	GWPs (USD million)	Percentage of market in MENA region	Growth from 2011G to 2012G	GWPs (USD million)	Percentage of market in MENA region	Growth from 2012G to 2013G	GWPs (USD million)	Percentage of market in MENA region	Growth from 2013G to 2014G	
UAE	6,514	7,155	19.63%	9.84%	8,034	23.01%	12.29%	9,106	23.34%	13.34%	11.81%
KSA	4,934	5,646	15.49%	14.43%	6,731	19.28%	19.22%	8,128	20.83%	20.75%	18.10%
Iran	8,163	11,583	31.78%	41.90%	6,689	19.16%	-42.25%	7,458	19.11%	11.50%	-2.97%
Qatar	1,197	1,339	3.67%	11.86%	1,994	5.71%	48.92%	2,183	5.59%	9.48%	22.18%
Lebanon	1,245	1,308	3.59%	5.06%	1,417	4.06%	8.33%	1,513	3.88%	6.77%	6.71%
Oman	733	857	2.35%	16.92%	947	2.71%	10.50%	1,035	2.65%	9.29%	12.19%
Kuwait	819	904	2.48%	10.38%	946	2.71%	4.65%	1,007	2.58%	6.45%	7.13%
Jordan	615	657	1.80%	6.83%	694	1.99%	5.63%	736	1.89%	6.05%	6.17%
Morocco	2,929	3,017	8.28%	3.00%	3,180	9.11%	5.40%	3,400	8.71%	6.92%	5.10%
Egypt	1,714	1,789	4.91%	4.38%	1,898	5.44%	6.09%	1,968	5.04%	3.69%	4.71%
Algeria	1,188	1,379	3.78%	16.08%	1,520	4.35%	10.22%	1,597	4.09%	5.07%	10.36%
Tunisia	837	811	2.23%	-3.11%	860	2.46%	6.04%	888	2.28%	3.26%	1.99%
<b>MENA Region</b>	<b>30,888</b>	<b>36,445</b>	<b>100.00%</b>	<b>17.99%</b>	<b>34,910</b>	<b>100.00%</b>	<b>-4.21%</b>	<b>39,019</b>	<b>100.00%</b>	<b>11.77%</b>	<b>8.10%</b>
<b>The World</b>	<b>4,566,163</b>	<b>4,598,951</b>		<b>0.72%</b>	<b>4,593,632</b>		<b>-0.12%</b>	<b>4,778,248</b>		<b>4.02%</b>	<b>1.52%</b>

Source: Swiss Re

According to Swiss Re, Qatar, KSA and UAE insurance markets saw the highest CAGR in GWPs, at 22.2%, during the period between 2011G and 2014G, followed by KSA with 18.1% during the same period. In 2014G, KSA recorded the highest increase in GWPs with 20.8% to USD8,128 million, followed by UAE by 13.3% at USD9,106 million.

In 2014G, according to Swiss Re, UAE, KSA and Iran were the largest three markets in MENA, accounting for 23.3%, 20.8% and 19.1% of GWPs, respectively.

## 3-4 Saudi Arabian Insurance Industry

### 3-4-1 Saudi Arabian Insurance Industry Development

The insurance industry in the Kingdom was not regulated until 2003G. Most insurance companies in the Kingdom are branches and representative offices of offshore-registered companies, most of which are headquartered in Bahrain. In 2003G, the Cooperative Insurance Companies Control Law was approved by Royal Decree M/32 of 2/6/1424H (corresponding to 31/7/2003G), under which SAMA was appointed to act as the regulator and overseer of the insurance industry in the Kingdom.

SAMA's key functions and responsibilities as the regulator of the insurance industry include:

- providing and establishing appropriate standards for provision of insurance services;
- promoting stability in the insurance market;
- protecting the rights of insured parties and investors;
- encouraging fair and effective competition and providing better insurance services at competitive prices and coverage;
- regulating the relationship between insurers/reinsurers and service providers to ensure compliance with the laws and regulations governing the market; and
- training and localizing manpower (Saudization).

Under the new regulations, the insurance industry has undergone significant growth, and a large number of insurance companies have been established. As of the end of 2014G, the Council of Ministers has approved the establishment of 35 insurance companies to engage in insurance and reinsurance, as well as 199 liberal profession companies that support insurance services.



### 3-4-2 Saudi Arabian Insurance Sector Activity

According to Swiss Re, KSA is the second-largest insurance market, after UAE, in MENA. In 2014G, it accounted for 20.8% of the region's GWPs.

Between 2010G and 2014G, the KSA insurance market witnessed growth in most of its KPIs. GWPs increased at a CAGR of 16.8% to reach SAR30,482 in 2014G. This increase was mainly driven by an increase of awareness of the importance of insurance, good economic conditions during the period and mandatory health and vehicle insurance.

In the Kingdom, the insurance industry includes 35 insurance and reinsurance companies, which provide their products to three main sectors: health insurance, general insurance and protection and savings insurance. In 2014G, the three largest insurance companies acquired 54.0% of GWPs in the Kingdom, and the largest 8 insurance companies acquired 71.7% of GWPs.

#### 3-4-2-1 Insurance Industry - Key Indicators

This section provides an analysis of the general indicators of the insurance industry in the Kingdom and their rates of growth over the past five years, as well as a brief overview of the insurance sub-sectors.

##### 3-4-2-1-1 Gross Written Premiums

The insurance industry is divided into 3 main sectors: health insurance, general insurance and protection and savings insurance. General insurance can be divided into seven business lines: vehicle insurance, property insurance, engineering insurance, accident and liability insurance, marine insurance, energy insurance and aviation Insurance.

Overall KSA insurance gross written premiums increased from SAR16,388 million in 2010G to SAR30,482 million in 2014G, with a CAGR of 16.8% from 2010G-2014G, as total general insurance reached its fastest rate of growth of 19.8% during this period, having increased from SAR6,726 million in 2010G to SAR13,856 million in 2014G, followed by health insurance, which increased by 16% for the same period from SAR8,690 million in 2010G to SAR15,720 million in 2014G.

Between 2010G and 2014G, health insurance was the largest insurance sector with 52.2% of GWPs in the Kingdom, while general insurance and protection and savings insurance sectors acquired 43.8% and 4.0% of GWPs, respectively, in the Kingdom.

**Table 7: KSA Gross Written Premiums by Business Lines**

Line of Business	2010G		2011G		2012G		2013G		2014G		Growth 2013G-2014G	CAGR 2010G-2014G
	SAR million	% Total	SAR million	% Total	SAR million	% Total	SAR million	% Total	SAR million	% Total		
Total Health Insurance	8,690	53.0%	9,708	52.5%	11,285	53.3%	12,895	51.1%	15,720	51.6%	21.9%	16.0%
Motor vehicles	3,239	19.8%	3,922	21.2%	4,689	22.1%	6,355	25.2%	8,026	26.3%	26.3%	25.5%
Property	959	5.9%	1,157	6.3%	1,348	6.4%	1,665	6.6%	1,923	6.3%	15.5%	19.0%
Engineering	869	5.3%	913	4.9%	1,077	5.1%	1,200	4.8%	1,434	4.7%	19.5%	13.3%
Accidents, liability, and other	507	3.1%	632	3.4%	691	3.3%	941	3.7%	1,079	3.5%	14.7%	20.8%
Marine	518	3.2%	634	3.4%	743	3.5%	740	2.9%	811	2.7%	9.6%	11.9%
Energy	329	2.0%	361	2.0%	385	1.8%	456	1.8%	443	1.5%	-2.9%	7.7%
Aviation	305	1.9%	272	1.5%	67	0.3%	144	0.6%	140	0.5%	-2.6%	-17.7%
Total General Insurance	6,726	41.0%	7,891	42.6%	9,000	42.5%	11,501	45.6%	13,856	45.5%	20.5%	19.8%
Total Protection and Saving Insurance	972	5.9%	905	4.9%	889	4.2%	845	3.3%	904	3.0%	7.1%	-1.8%
<b>Total</b>	<b>16,387</b>	<b>100%</b>	<b>18,504</b>	<b>100%</b>	<b>21,174</b>	<b>100%</b>	<b>25,239</b>	<b>100%</b>	<b>30,482</b>	<b>100%</b>	<b>20.8%</b>	<b>16.8%</b>

Source: SAMA - The Saudi Insurance Market Report, 2014G

KSA Gross written premiums increased by 20.8% during 2014G to reach SAR30,482 million, compared to SAR25,239 million in 2013G.

Health insurance remained the biggest line of business in 2014G, with its contribution to total KSA GWP of 51.6%, followed by Vehicle Insurance with 26.3% of KSA total GWP, to collectively represent 77.9% of KSA total GWP in 2014G. Protection and Savings insurance remained the smallest line of business accounting for 3% of KSA total GWP in 2014G.

### 3-4 -2-1-2 Insurance Market Penetration

Insurance penetration, defined as Gross Written Premiums divided by total GDP, has increased during the last five years from 0.97% in 2010G to 1.08% in 2014G.

**Table 8: Insurance Penetration of GDP**

Line of Business	2010G	2011G	2012G	2013G	2014G
Total Health Insurance	0.51%	0.45%	0.41%	0.46%	0.56%
Total General Insurance	0.40%	0.36%	0.33%	0.41%	0.49%
Total Protection and Saving Insurance	0.06%	0.04%	0.03%	0.03%	0.03%
<b>Total</b>	<b>0.97%</b>	<b>0.85%</b>	<b>0.78%</b>	<b>0.90%</b>	<b>1.08%</b>

Source: SAMA - The Saudi Insurance Market Report, 2014G

Non-oil insurance penetration is defined as Gross Written Premiums divided by total non-oil GDP. Insurance penetration of non-oil GDP declined from 2.04% in 2010G to 1.90% in 2014G.

**Table 9: Insurance Market Penetration from the total non-oil GDP**

Line of Business	2010G	2011G	2012G	2013G	2014G
Total Health Insurance	1.10%	1.06%	0.83%	0.88%	0.98%
Total General Insurance	0.85%	0.86%	0.66%	0.78%	0.87%
Total Protection and Saving Insurance	0.12%	0.10%	0.07%	0.06%	0.06%
<b>Total</b>	<b>2.04%</b>	<b>2.02%</b>	<b>1.56%</b>	<b>1.72%</b>	<b>1.90%</b>

Source: SAMA - The Saudi Insurance Market Report, 2014G

### 3-4 -2-1-3 Insurance Density

Insurance density is defined as average expenditure by an individual on insurance (Gross Written Premiums per Capita). Insurance density increased from SAR864 per capita in 2013G to SAR 991 per capita in 2014G, which represents a 14.6% increase. Expenditures per capita on insurance products have also increased at a CAGR of 13.2% between 2010G and 2014G. The density of Protection and Savings insurance remained low, relative to General and Health insurance, at SAR 29 per capita.

**Table 10: Insurance Density**

Line of Business	2010G	2011G	2012G	2013G	2014G	Change 2013G-2014G	CAGR 2010G-2014G
Total Health Insurance	320	358	387	442	511	15.7%	12.4%
Total General Insurance	248	291	308	394	450	14.3%	16.1%
Total Protection and Saving Insurance	36	33	30	29	29	1.6%	-4.8%
<b>Total</b>	<b>604</b>	<b>682</b>	<b>725</b>	<b>864</b>	<b>991</b>	<b>14.6%</b>	<b>13.2%</b>

Source: SAMA - The Saudi Insurance Market Report, 2014G

### 3-4 -2-1-4 Retention Ratio

The retention ratio measures the written premiums retained by the insurance company to its total GWPs. The overall retention ratio of insurance companies in the Saudi market increased from 76.0% in 2013G to 79.8% in 2014G, due to the high retention ratio of Motor and Health insurance businesses, which represented 77.9% of total GWPs in 2014G.

The retention ratio for Motor insurance increased from 93.8% in 2013G to 97.7% in 2014G, while retention ratio for Health Insurance increased from 88.8% in 2013G to 93.2% in 2014G.

**Table 11: Retention ratio by line of business\***

Line of Business	2010G	2011G	2012G	2013G	2014G
Total Health Insurance	81.9%	84.7%	88.2%	88.8%	93.2%
Motor vehicles	95.7%	94.6%	94.0%	93.8%	94.7%
Property	13.2%	11.7%	15.1%	16.9%	16.4%
Engineering	13.1%	14.3%	15.4%	15.0%	14.3%
Accidents, liability and other insurance	54.4%	44.3%	47.6%	41.6%	52.3%
Marine	33.8%	32.3%	30.8%	32.6%	31.0%
Energy	2.3%	2.0%	1.9%	1.6%	2.0%
Aviation	1.6%	0.4%	3.5%	2.5%	2.5%
<b>Total General Insurance</b>	<b>56.5%</b>	<b>56.7%</b>	<b>59.4%</b>	<b>61.5%</b>	<b>64.6%</b>
<b>Total</b>	<b>70.9%</b>	<b>72.1%</b>	<b>75.4%</b>	<b>76.0%</b>	<b>79.8%</b>

Source: SAMA - The Saudi Insurance Market Report, 2014G

\* Retention ratios for Protection and Saving Insurance are not included as the savings element included in the contracts of Saudi companies must be retained, and therefore, retention for this type cannot be compared to other types.

### 3-4-2-2 Competition

Currently, the insurance sector in Saudi Arabia is undergoing material changes with a significant increase in competition as insurance companies have obtained licenses to work in the Kingdom. As new companies enter the Saudi market, it is expected that each company will provide new, advanced products to increase its market share. Offering new products in the Saudi market, such as credit insurance, mortgage insurance, and recoverable and adjustable life insurance will increase the diversity and quality of the products on the market.

Currently, the number of insurance companies operating in the Kingdom of Saudi Arabia and listed on Tadawul stands at 35 companies as at the date of this Prospectus, as follows:

- 1- National Company for Cooperative Insurance (Tawuniya)
- 2- Malath Cooperative Insurance & Reinsurance Company
- 3- Mediterranean & Gulf Cooperative Insurance & Reinsurance (Medgulf)
- 4- Salama Cooperative Insurance Company
- 5- SABB Takaful Company
- 6- Arabian Shield Cooperative Insurance Company
- 7- Al-Ahli Takaful Company
- 8- Saudi Arabian Cooperative Insurance Company (SAICO)
- 9- Gulf Union Cooperative Insurance Company
- 10- Sanad Cooperative Insurance Company
- 11- Saudi Fransi Cooperative Insurance Company
- 12- Trade Union Cooperative Insurance Company
- 13- Al Sagr Company for Cooperative Insurance
- 14- Saudi Indian Company for Cooperative Insurance (Wafa Insurance)
- 15- Arabia Insurance Cooperative Company
- 16- Saudi United Cooperative Insurance (Wala'a)
- 17- Saudi Reinsurance Company (Saudi Re)
- 18- Bupa Arabia for Cooperative Insurance
- 19- United Cooperative Assurance
- 20- Al-Ahli for Cooperative Insurance
- 21- Allied Cooperative Insurance Group (ACIG)
- 22- Al Rajhi Company for Cooperative Insurance

- 23- Ace Arabia Cooperative Insurance Company
- 24- Al Alamiya for Cooperative Insurance
- 25- AXA Cooperative Insurance Company
- 26- Gulf General Insurance Company
- 27- Weqaya Takaful Insurance & Reinsurance Company
- 28- Buruj Cooperative Insurance Company
- 29- Wataniya Insurance Company
- 30- Amana Cooperative Insurance Co.
- 31- Metlife AIG-ANB Cooperative Insurance Company
- 32- Solidarity Saudi Takaful Company
- 33- Saudi Enaya Cooperative Insurance Company
- 34- Alinma Tokio Marine Company
- 35- Aljazira Takaful Taawuni

### 3-4-2-3 Distribution of the Market Share of Insurance Companies

It is noted that in the Saudi's insurance market, most companies lack the ability to price their products, as the prices of their products should be in line with the market prices of the dominant insurance companies. The local insurance market is dominated by three major players who accounted for 53% of the gross written premiums for the period 2012G-2014G, while the remaining 47% is distributed among the remaining companies.

**Table 12: Market shares of KSA insurance companies during the period (2012G-2014G)**

The Company	Gross Written Premiums			Market Share		
	2012G (SAR million)	2013G (SAR million)	2014G (SAR million)	2012G	2013G	2014G
Tawuniya	5,635	5,605	6,208	27.0%	22.4%	20.5%
Bupa Arabia for Cooperative Insurance	2,194	3,177	5,740	10.5%	12.7%	18.9%
Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")	3,318	4,138	4,416	15.9%	16.5%	14.6%
Malath Cooperative Insurance & Reinsurance Company	558	771	1,413	2.7%	3.1%	4.7%
United Cooperative Assurance	1,024	1,293	1,165	4.9%	5.2%	3.8%
AXA Cooperative Insurance Company	460	776	1,040	2.2%	3.1%	3.4%
Al Rajhi Company for Cooperative Insurance	601	690	945	2.9%	2.8%	3.1%
Trade Union Cooperative Insurance Company	561	877	808	2.7%	3.5%	2.7%
Other insurance companies	6,539	7,720	8,578	31.3%	30.8%	28.3%

Source: Tadawul

## 3-5 The Cooperative Insurance Companies Control Law and Its Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree M/32 of 02/06/1424H (corresponding to 31/04/2003G), which was originally developed to establish a legal and control framework for the insurance sector, under which SAMA was appointed to act as the regulator and overseer of the Kingdom's insurance industry. The law's Implementing Regulations were later issued by Ministerial Decree 1/596 of 1/3/1425H (corresponding to 20/4/2004G) to govern and control the insurance industry in Saudi Arabia. Some of the salient features of the Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within Saudi Arabia must be carried out by insurance companies established and registered in Saudi Arabia and operated in a "Cooperative/Takaful" manner consistent with the principles of Islamic Law and Jurisprudence.
- Applicant insurers/reinsurers must be joint stock companies established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of (SAR100,000,000) one hundred million Saudi Arabian Riyals and reinsurers having a minimum capital of (SAR200,000,000) two hundred million Saudi Arabian Riyals.

- Gross premiums written should not exceed ten times the amount of the paid up capital of each company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders' income statement and the remaining 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

### 3-6 Future Prospects

The Saudi market has been developing over the years. Numerous local and international companies have established their presence in the market and have been providing innovative products specially designed to meet domestic demand, taking into account cultural and religious factors for consumers. The large number of insurance companies licensed in the Kingdom has been a central element for innovation and wide diversification of products and competitive prices.

The insurance industry in the Kingdom is highly competitive due to the existence of 35 companies operating in the market. Due to the intensified competition in recent years, many companies have begun to price their products with very narrow profit margins in order to maintain market share, which has led to low profitability and discouraging low rates of return from insurance business. However, it is expected that, in the long term, many small/low capital companies will exit the market or merge with each other, leading eventually to the unification of the insurance industry in the Kingdom. This will lead to the reduction of the intensive competition, which in turn will lead to a return to the normal profitability of the business.

Furthermore, and in line with directions of SAMA, which has urged insurers to apply new prices for health insurance and motor insurance set by an independent actuary, competition in such products has been reduced and it is expected to remain stable for the years to come.

## 4. The Company and Nature of its Business

### 4-1 About the Company

Wataniya Insurance Company (the “Company” or “Wataniya”) is a Saudi joint stock company established in accordance with Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and Resolution No. 330 of the Council of Ministers dated 16/10/1430H (corresponding to 05/10/2009G). The Company is registered under Commercial Registration number 4030200981 dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah. The Company has also been licensed by the Saudi Arabian General Investment Authority under license No. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company's registered head office is located at Juffali Building, Medina Road, Jeddah. P.O Box. 5832, Jeddah 21432, Saudi Arabia.

The Company is authorized to practice general insurance and protection and saving insurance business by the Saudi Arabian Monetary Authority under license No. TMN/29/20106, dated 04/07/1431H (corresponding to 16/06/2010G) in compliance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations.

The Company practices general insurance and protection and saving insurance in the Kingdom of Saudi Arabia under the Cooperative Insurance Principle with a portfolio that includes motor insurance, marine insurance, engineering insurance, general accident insurance, property insurance, extended warranty insurance, protection and saving insurance, and others.

The Company's current share capital is (SAR100,000,000) one hundred million Saudi Riyals composed of (10,000,000) ten million fully-paid ordinary shares with a nominal value of (SAR10) ten Saudi Riyals per share. The founding shareholders subscribed for (7,000,000) seven million shares (70%) of the Company's shares, and the remaining (3,000,000) three million shares (30%) were publicly offered. The offering was in compliance with the laws and regulations issued by the CMA, and was conducted from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G), with an offer price of (SAR10) ten Saudi Riyals per share. The Company's shares were listed in and traded on the Saudi Stock Exchange (Tadawul) on 23/06/1431H (corresponding to 06/06/2010G).

On 26/06/1436H (corresponding to 15/04/2015G), the Company's Board of Directors recommended an increase of the Company's capital from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals after obtaining the necessary regulatory approvals. The Company also obtained final approval from SAMA pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G), to increase its capital by (SAR100,000,000) one hundred million Saudi Riyals through a rights issue.

The Company confirms that it has not granted any privileges or preferential rights to the Founding Shareholders or other shareholders and that it has not, since its incorporation to the date of this Prospectus, increased its capital via rights issue shares.

### 4-2 Most significant developments after Company incorporation

The following table shows the most significant developments after the incorporation of the Company:

**Table 13: Key dates and developments**

Date	Developments
26/01/1426H (corresponding to 07/03/2005G)	Service Investment License No. 112730128101-01 is obtained from the General Investment Authority
16/10/1430H (corresponding to 05/10/2009G)	The Founding Shareholders obtain an incorporation license pursuant to Cabinet Resolution No. (330)
21/10/1430H (corresponding to 10/10/2009G)	The Founding Shareholders obtain an incorporation license pursuant to Royal Decree No. (M/53)
06/04/1431H (corresponding to 22/03/2010)	Company's shares are offered for public offering
29/04/1431H (corresponding to 14/04/2010G)	Meeting of the Company's Constituent Assembly
12/05/1431H (corresponding to 26/04/2010G)	The Company commences its business on the date of the Ministerial Resolution No. (158/Q), dated 12/05/1431H announcing the Company's incorporation
01/06/1431H (corresponding to 15/05/2010G)	The Company is registered as a Saudi joint stock Company under commercial registration No. 4030200981 issued in Jeddah
23/06/1431H (corresponding to 06/06/2010G)	Company shares are listed in the Saudi Stock Exchange “Tadawul”

Date	Developments
04/07/1431H (corresponding to 16/6/2010G)	The Saudi Arabian Monetary Agency (SAMA) licenses the Company to practice general insurance and protection and saving insurance business under license No. (TMN/29/20106)
26/06/1436H (corresponding to 15/04/2015G)	The Company's Board of Directors recommends a capital increase through a rights issue with a value of (SAR100,000,000) one hundred million Saudi Riyals
12/01/1437H (corresponding to 25/10/2015G)	The Company obtains the approval the Saudi Monetary Agency (SAMA) to increase its capital through a rights issue with a value of (SAR100,000,000) one hundred million Saudi Riyals in accordance with letter No. 371000004974
26/10/1437H (corresponding to 31/07/2016G)	The EGM approves the Board's recommendation to increase the Company's capital through a rights issue with a value of (SAR100,000,000) one hundred million Saudi Riyals

Source: Company Management

### 4-3 Company Activity

In accordance with Article (3) of the Company's by-laws, the licensed objectives of the Company are as follows:

In accordance with the provisions of the Cooperative Insurance Companies Control Law, its Implementing Regulations and all laws and rules applicable in the Kingdom of Saudi Arabia, the Company shall practice cooperative insurance and all related services including re-insurance, agencies, representation, correspondence and brokerage. The Company may practice all necessary business activities to achieve its goals in insurance or investment of its funds, and own, move, sell, replace and rent fixed assets and cash funds directly or indirectly through subsidiaries or purchased or associated entities.

The Company may hold or have an interest, or otherwise participate in any manner with other entities that carry out similar activities or that may assist the Company in the realization of its goals, or merge with or acquire these entities. The Company may exercise such activities inside or outside the Kingdom.

The Company confirms that it has no intention of making any fundamental change to the main business of the Company since its incorporation, and that there has been no interruption in the Company's business that may affect or could have affected significantly its financial position during the last (12) twelve months. The Company also confirms that it has neither any other activity nor does it possess any assets outside the Kingdom of Saudi Arabia, except for some financial investments.

The Company is licensed to practice insurance including the following principal insurance services:

- General Insurance
- Protection and Saving Insurance

The Company may offer its services and products only after obtaining a final or temporary approval for each product from SAMA (pursuant to Article 16 of the Implementing Regulations). The Company has so far obtained final, temporary and provisional approvals from SAMA for a number of its insurance products, as follows:

**Table 14: Licenses and Approvals**

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
Foreign investment license - No. 112730128101-01	Investment license for a company (mixed Saudi/ foreign)	26/01/1426H (corresponding to 07/03/2005G)	19/12/1438H (corresponding to 10/9/2017G)	General Investment Authority
Insurance business license - No. TMN/29/20106	License to practice General Insurance and Protection and Saving Insurance	04/07/1431H (corresponding to 16/6/2010G)	02 /07/1440H (corresponding to 09/03/2019G)	SAMA
Approval to offer insurance products (18168/628/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Comprehensive Private Auto Insurance</li> <li>• Motor Third Party Liability Insurance</li> <li>• Comprehensive Commercial Auto Insurance Policy</li> <li>• Auto Dealer Insurance Policy (external risks)</li> <li>• Auto Dealer Insurance Policy (internal risks)*</li> </ul>	06/04/1431G (corresponding to 22/03/2010G)	Undefined	SAMA
Approval to offer insurance products (33523/1173/IS)	<ul style="list-style-type: none"> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> </ul>	01/07/1431H (corresponding to 13/06/2010G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
	Temporary approval to market and sell: <ul style="list-style-type: none"> <li>• Electronic Equipment Insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Fidelity Insurance Policy</li> <li>• Glass Breakage Insurance Policy</li> <li>• Money Insurance Policy</li> <li>• Personal Accident Insurance Policy (individual)</li> <li>• Personal Accident Insurance Policy (group)</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Work Injury Compensation Insurance Policy</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Hull Insurance Policy</li> </ul>			
Approval to offer insurance products (39954/1410/IS)	Temporary approval to market and sell: <ul style="list-style-type: none"> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Burglary Insurance Policy</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Marine Cargo Insurance Policy (for a single cargo)</li> <li>• Marine Cargo Insurance Policy (open)</li> <li>• Land Cargo Insurance Policy (all risks)</li> <li>• Land Cargo Insurance Policy (road risks)</li> </ul>	06/08/1431H (corresponding to 18/7/2010G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (2141/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Burglary Insurance Policy</li> </ul>	22/11/1431H (corresponding to 30/10/2010G)	Undefined	SAMA
Approval to offer insurance products (2178/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Marine Cargo Insurance Policy (for a single cargo)</li> <li>• Marine Cargo Insurance Policy (open)</li> <li>• Land Cargo Insurance Policy (all risks)</li> <li>• Land Cargo Insurance Policy (road risks)</li> <li>• Hull Insurance Policy</li> </ul>	25/11/1431H (corresponding to 02/11/2010G)	Undefined	SAMA
Approval to offer insurance products (2326/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Fidelity Insurance Policy</li> </ul>	16/12/1431H (corresponding to 22/11/2010G)	Undefined	SAMA
Approval to offer insurance products (2327/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Glass Breakage Insurance Policy</li> </ul>	16/12/1431H (corresponding to 22/11/2010G)	Undefined	SAMA
Approval to offer insurance products (2392/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Money Insurance Policy</li> </ul>	24/12/1431H (corresponding to 30/11/2010G)	Undefined	SAMA
Approval to offer insurance products (7845/283/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Motorcycle Insurance Policy</li> </ul>	11/02/1432H (corresponding to 15/01/2011G)	Undefined	SAMA
Approval to offer insurance products (375/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Work Injury Compensation Insurance Policy</li> </ul>	25/02/1432H (corresponding to 29/01/2011G)	Undefined	SAMA



License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
Approval to offer insurance products (2192/IS)	Temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic equipment insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Personal Accident Insurance Policy (individual)</li> <li>• Personal Accident Insurance Policy (group)</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> </ul>	02/12/1432H (corresponding to 29/10/2011G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (119/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Personal Accident Insurance Policy (individual)</li> </ul>	11/01/1433H. (corresponding to 06/12/2011G)	Undefined	SAMA
Approval to offer insurance products (637/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Life Insurance Policy (individual)</li> </ul>	08/03/1434H (corresponding to 20/01/2013G)	Undefined	SAMA
Approval to offer insurance products (877/IS)	Final approval to market and sell: <ul style="list-style-type: none"> <li>• Personal Accident Insurance Policy (group)</li> </ul>	06/04/1433H (corresponding to 28/02/2012G)	Undefined	SAMA
Approval to offer insurance products (1407/IS)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic equipment insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> </ul>	02/06/1433H (corresponding to 23/04/2012G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
Approval to offer insurance products (2293/IS)	Temporary approval to market and sell: <ul style="list-style-type: none"> <li>Comprehensive Household Workers' Insurance Policy</li> </ul>	08/10/1433H (corresponding to 26/08/2012G)	For six months (dealing with comprehensive household workers' insurance is suspended until discussions about coverage conditions and benefits between regulators and concerned government agencies are completed)	SAMA
Approval to offer insurance products (2648/IS)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>Motor Insurance Policy</li> </ul>	14/11/1433H (corresponding to 30/09/2012G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (2789/IS)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>All Risks Insurance Policy</li> <li>Fire Insurance Policy</li> <li>Property Insurance Policy (all risks)</li> <li>Business Interruption Insurance Policy</li> <li>Comprehensive Housing Insurance Policy</li> <li>Terrorism Risk Insurance Policy</li> <li>Contractor Risk Insurance Policy</li> <li>Installation Risk Insurance Policy</li> <li>Machinery Breakdown Insurance Policy</li> <li>Contractor Plant and Machinery Insurance Policy</li> <li>Electronic equipment Insurance</li> <li>Refrigerators Inventory Damage Insurance Policy</li> <li>Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>Travel Accident Insurance Policy</li> <li>Civil Liability Insurance Policy</li> <li>Professional Liability Insurance Policy (for Architects)</li> <li>Professional Liability Insurance Policy (Medical Errors)</li> <li>Comprehensive Banking Insurance Policy</li> <li>Extended Warranty Insurance Policy</li> </ul>	27/11/1433H (corresponding to 13/10/2012G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (34100005966)	Final approval to market and sell: <ul style="list-style-type: none"> <li>Life Insurance (group)</li> </ul>	13/01/1434H (corresponding to 27/11/2012G)	Undefined	SAMA
Approval to offer insurance products (341000035660)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>Motor Insurance Policy</li> </ul>	18/03/09/1434H (corresponding to 30/01/2013G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (341000043878)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>Comprehensive Household Workers' Insurance Policy</li> </ul>	07/04/1434H (corresponding to 17/02/2013G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (341000053682)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>All Risks Insurance Policy</li> <li>Fire Insurance Policy</li> <li>Property Insurance Policy (all risks)</li> <li>Business Interruption Insurance Policy</li> <li>Comprehensive Housing Insurance Policy</li> <li>Terrorism Risk Insurance Policy</li> <li>Contractor Risk Insurance Policy</li> <li>Installation Risk Insurance Policy</li> <li>Machinery Breakdown Insurance Policy</li> </ul>	28/04/1434H (corresponding to 10/03/2013G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
	<ul style="list-style-type: none"> <li>Contractor Plant and Machinery Insurance Policy</li> <li>Electronic Equipment Insurance</li> <li>Refrigerators Inventory Damage Insurance Policy</li> <li>Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>Travel Accident Insurance Policy</li> <li>Civil Liability Insurance Policy</li> <li>Professional Liability Insurance Policy (for Architects)</li> <li>Professional Liability Insurance Policy (Medical Errors)</li> <li>Comprehensive Banking Insurance Policy</li> <li>Extended Warranty Insurance Policy</li> </ul>			
Approval to offer insurance products (341000062957)	Final approval to market and sell: <ul style="list-style-type: none"> <li>Motor Third Party Liability Insurance</li> <li>Comprehensive Private Cars Insurance Policy</li> <li>Comprehensive Commercial Cars Insurance Policy</li> <li>Car Dealer Insurance Policy (external risks)</li> </ul>	19/05/1434H (corresponding to 31/03/2013G)	Undefined	SAMA
Practice of insurance business license - No. (TMN/29/20106)	Renewing the license for practicing general insurance and protection & saving insurance business	03/07/1437H (corresponding to 10/04/2016G)	02/07/1440H (corresponding to 09/03/2019G)	SAMA
Approval to offer insurance products (341000117609)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>All Risks Insurance Policy</li> <li>Fire Insurance Policy</li> <li>Property Insurance Policy (all risks)</li> <li>Business Interruption Insurance Policy</li> <li>Comprehensive Housing Insurance Policy</li> <li>Terrorism Risk Insurance Policy</li> <li>Contractor Risk Insurance Policy</li> <li>Installation Risk Insurance Policy</li> <li>Machinery Breakdown Insurance Policy</li> <li>Contractor Plant and Machinery Insurance Policy</li> <li>Electronic Equipment Insurance</li> <li>Refrigerators Inventory Damage Insurance Policy</li> <li>Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>Travel Accident Insurance Policy</li> <li>Civil Liability Insurance Policy</li> <li>Professional Liability Insurance Policy (for Architects)</li> <li>Professional Liability Insurance Policy (Medical Errors)</li> <li>Comprehensive Banking Insurance Policy</li> <li>Extended Warranty Insurance Policy</li> </ul>	08/10/1434H (corresponding to 15/08/2013G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (341000117610)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>Comprehensive Household Workers' Insurance Policy</li> </ul>	08/10/1434H (corresponding to 15/08/2013G)	For six months (dealing with comprehensive household workers' insurance is suspended until discussions about coverage conditions and benefits between regulators and concerned government agencies are completed)	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
Approval to offer insurance products (351000033654)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic Equipment Insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> </ul>	14/03/1435H (corresponding to 15/01/2014G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (351000033691)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• Comprehensive Household Workers' Insurance Policy</li> </ul>	14/03/1435H (corresponding to 15/01/2014G)	For six months (dealing with comprehensive household workers' insurance is suspended until discussions about coverage conditions and benefits between regulators and concerned government agencies are completed)	SAMA
Approval to offer insurance products (351000118757)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic Equipment Insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> <li>• Comprehensive Household Workers' Insurance Policy**</li> </ul>	13/09/1435H (corresponding to 10/07/2014G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
Approval to offer insurance products (361000040504)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic Equipment Insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> </ul>	14/03/1436H (corresponding to 05/01/2015G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (361000126801)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> <li>• Contractor Plant and Machinery Insurance Policy</li> <li>• Electronic Equipment Insurance</li> <li>• Refrigerators Inventory Damage Insurance Policy</li> <li>• Loss of Profits Following Machinery Breakdown Insurance Policy</li> <li>• Travel Accident Insurance Policy</li> <li>• Civil Liability Insurance Policy</li> <li>• Professional Liability Insurance Policy (for Architects)</li> <li>• Professional Liability Insurance Policy (Medical Errors)</li> <li>• Comprehensive Banking Insurance Policy</li> <li>• Extended Warranty Insurance Policy</li> </ul>	22/09/1436H (corresponding to 30/07/2015G)	For six months ending on 01/10/1437H (corresponding to 06/07/2016G)	SAMA
Approval to offer insurance products (371000036493)	Extension of temporary approval to market and sell: <ul style="list-style-type: none"> <li>• All Risks Insurance Policy</li> <li>• Fire Insurance Policy</li> <li>• Property Insurance Policy (all risks)</li> <li>• Business Interruption Insurance Policy</li> <li>• Comprehensive Housing Insurance Policy</li> <li>• Terrorism Risk Insurance Policy</li> <li>• Contractor Risk Insurance Policy</li> <li>• Installation Risk Insurance Policy</li> <li>• Machinery Breakdown Insurance Policy</li> </ul>	26/03/1437H (corresponding to 06/01/2016G)	for six months	SAMA

License Type	Purpose	Date of Issue	Expiration Date	Issuing Authority
	<ul style="list-style-type: none"> <li>Contractor Plant and Machinery Insurance Policy</li> <li>Electronic Equipment Insurance</li> <li>Refrigerators Inventory Damage Insurance Policy</li> <li>Loss of Profits Following Machinery Break-down Insurance Policy</li> <li>Travel Accident Insurance Policy</li> <li>Civil Liability Insurance Policy</li> <li>Professional Liability Insurance Policy (for Architects)</li> <li>Professional Liability Insurance Policy (Medical Errors)</li> <li>Comprehensive Banking Insurance Policy</li> <li>Extended Warranty Insurance Policy</li> </ul>			

Source: Company Management

\* Approvals related to auto dealer insurance (internal risks) and motorcycle insurance were canceled following the issuance of the Unified Compulsory Motor Insurance Policy that replaced the Third Party Motor Liability Insurance Policies. These products are being studied and reviewed by SAMA as of the date of this Prospectus.

\*\* Issuance of comprehensive household workers' insurance has been suspended until discussions about coverage conditions and benefits between the regulators and competent government agencies are completed.

## 4-4 Company Vision

To be the preferred provider for those seeking exceptional insurance services.

## 4-5 Company Mission

To ensure that we have the expertise required to provide excellent insurance services using state-of-the-art technologies, and to become a leading provider of insurance in the Saudi Arabian Market.

## 4-6 Company Values

- Client centric
- Establishing an environment of teamwork
- Transparency
- Operational excellence
- Employing modern technologies

## 4-7 Company Aspirations

The Company believes that customer care is the most important factor for success in the insurance industry. Therefore, the Company's staff is trained to handle policyholders' inquiries and claims, and is positioned to exceed the clients' expectations on personal and professional levels. This is evident in the Company's high customer retention ratio.

## 4-8 Strategic Objectives of the Company

The Company's Board of Directors has identified the following strategic objectives:

- To retain all professional staff and attract new talent to fill all key positions within the Company
- To maintain a risk-balanced insurance portfolio
- To maintain the Company's insurance policy of 90% retention rates
- To provide excellent after-sales services by managing clients' applications and services
- To develop the Company's sales team to handle the balance of dealing with agents and middlemen
- To provide the necessary Saudi staff provide them with on-the-job training
- To comply with all regulatory regulations and requirements
- To maintain a profitable insurance portfolio by constantly reviewing loss rates for all clients and taking the necessary action
- To expand the customer base by targeting government sectors, multi-national companies and Saudi Hollandi Bank's clients

## 4-9 Competitive Advantages

### An experienced and skilled management team

The Company's commitment to its individual value-based principles has enabled the Company to attract and retain a well-qualified workforce. Since inception, the Company has hired, developed and retained a management team. Therefore, the Company's management team has wide local and international experience in insurance.

### A diversified shareholder base

The Company's significant Shareholders are a group of multi-business companies and individuals with unique relations and businesses, providing a large client base for the Company to market its various insurance products. In addition, the Company benefits from its technical, technological, administrative and marketing expertise.

### Diverse insurance products and services

The Company provides 42 insurance products specifically designed to meet the specialized and sustainable needs of its clients. The Company has obtained from SAMA a final license for 18 such products, while the other 24 were given temporary approval. There are also two additional products under study for approval by SAMA.

### High retention rates for insurance policies

Over the years, the Company has built strong relationships with its major clients. In 2015G, the retention rate for insurance policy clients was 93%.

### A stable rating over the years

Over the last five years, the Company was granted a credit rating of (BBB) by S&P. The last such rating was on 04/02/2016G.

## 4-10 Capital Structure

The following table shows the direct ownership of the Company's Founding Shareholders upon incorporation and as of the date of this Prospectus.

**Table 15: Company's Founding Shareholders upon incorporation and as of the date of this prospectus**

No	Name	Nationality	Direct ownership upon incorporation			Direct ownership as at the date of this prospectus		
			Ownership (%)	No. of Shares	Nominal Value (SAR)	Ownership (%)	No. of Shares	Nominal Value (SAR)
1	Saudi National Insurance Company BSC	Bahraini	27.50%	2,750,000	27,500,000	27.50%	2,750,000	27,500,000
2	Saudi Hollandi Bank	Saudi	20.00%	2,000,000	20,000,000	20.00%	2,000,000	20,000,000
3	Neue Rückversicherungs-Gesellschaft (NewRe)	Swiss	10.00%	1,000,000	10,000,000	10.00%	1,000,000	10,000,000
4	E.A. Juffali & Brothers	Saudi	5.00%	500,000	5,000,000	5.00%	500,000	5,000,000
5	Hatem Ali Juffali	Saudi	1.50%	150,000	1,500,000	1.50%	150,000	1,500,000
6	Walid Ahmed Juffali	Saudi	1.50%	150,000	1,500,000	1.50%	150,000	1,500,000
7	Khaled Suliman Al-Olayan*	Saudi	1.50%	150,000	1,500,000	0.20%	19,531	195,310
8	Mohammad Salah Aldin Abduljawad	Saudi	1.50%	150,000	1,500,000	-	-	-
9	Faisal Mohammed Charara	Saudi	1.50%	150,000	1,500,000	0.02%	2,000	20,000
<b>Total Founding Shareholders</b>			<b>70.00%</b>	<b>7,000,000</b>	<b>70,000,000</b>	<b>65.72%</b>	<b>6,571,531</b>	<b>65,715,310</b>
<b>Public</b>			<b>30.00%</b>	<b>3,000,000</b>	<b>30,000,000</b>	<b>34.28%</b>	<b>3,428,469</b>	<b>34,284,690</b>
<b>Total Capital</b>			<b>100.00%</b>	<b>10,000,000</b>	<b>100,000,000</b>	<b>100.00%</b>	<b>10,000,000</b>	<b>100,000,000</b>

Source: Company Management

\* As of the date of this Prospectus, Khaled Suliman Al-Olayan's shares were purchased on the stock market and are not the 150,000 founding shares that he had previously sold.

The Company has obtained SAMA's approval pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G) to increase its capital by (SAR100,000,000) one hundred million Saudi Riyals through a Rights Issue. After the end of subscription in the Rights Issue, the Company's capital will become (SAR200,000,000) two hundred million Saudi Riyals divided into (SAR20,000,000) twenty million ordinary shares with a nominal value of (SAR10) ten Saudi Riyals per share. In its EGM held on 26/06/1436H (corresponding to 04/15/2015G), the Board of Directors recommended an increase of the Company's capital through offering a Rights Issue of (SAR100,000,000) one hundred million Saudi Riyals. This increase is aimed at strengthening the solvency margin and supporting future growth of the Company's business.

The Company has received a commitment letter from each of:

- Saudi National Insurance Company BSC (as a Strategic Shareholder) affirming its commitment to subscribe for (2,750,000 shares) two million seven hundred and fifty thousand shares, representing its total eligibility of 27.50% of the total Rights Issue shares offered for subscription, according to the number of shares owned on the date of eligibility.
- Saudi Hollandi Bank (as a Strategic Shareholder) affirming its commitment to subscribe for (2,000,000) two million shares, representing its total eligibility of 20.00% of the total Rights Issue shares offered for subscription, according to the number of shares owned on the date of eligibility.
- Neue Rückversicherungs-Gesellschaft (NewRe) (as a Strategic Shareholder) affirming its commitment to subscribe for (1,000,000) one million shares, representing its total eligibility of 10.00% of the total Rights Issue shares offered for subscription, according to the number of shares owned on the date of eligibility.
- E.A. Juffali & Brothers (as a Strategic Shareholder) affirming its commitment to subscribe for (500,000) five hundred thousand shares, representing its total eligibility of 5.00% of the total Rights Issue shares offered for subscription, according to the number of shares owned on the date of eligibility.

## 4-11 Substantial shareholders of the Company who own 5% or more of its shares

The following table shows the Substantial Shareholders who directly or indirectly own 5% or more of the Company's Shares as of the date of this Prospectus.

**Table 16: Substantial Shareholders who directly or indirectly own 5% or more of the Company's Shares as of the date of this Prospectus**

	Shareholders	Direct ownership			Indirect ownership			Total Ownership		
		Ownership (%)	No. of Shares	Nominal Value (SAR)	Ownership (%)	No. of Shares	Nominal Value (SAR)	Ownership (%)	No. of Shares	Nominal Value (SAR)
1	Saudi National Insurance Company BSC	27.50%	2,750,000	27,500,000	-	-	-	27.50%	2,750,000	27,500,000
2	Saudi Hollandi Bank	20.00%	2,000,000	20,000,000	-	-	-	20.00%	2,000,000	20,000,000
3	Neue Rückversicherungs-Gesellschaft (NewRe)	10.00%	1,000,000	10,000,000	-	-	-	10.00%	1,000,000	10,000,000
4	E.A. Juffali & Brothers(1)	5.00%	500,000	5,000,000	19.94%	1,993,750	19,937,500	24.94%	2,493,750	24,937,500
5	Munich Reinsurance(2)	-	-	-	16.19%	1,618,650	16,186,500	16.19%	1,618,650	16,186,500
6	RBS N. V. (previously ABN AMRO N.V.) (3)	-	-	-	8.00%	800,000	8,000,000	8.00%	800,000	8,000,000
7	RBS Holdings N.V.(4)	-	-	-	8.00%	800,000	8,000,000	8.00%	800,000	8,000,000
8	RFS Holdings B.V.(5)	-	-	-	8.00%	800,000	8,000,000	8.00%	800,000	8,000,000
9	The Royal Bank of Scotland Group(6)	-	-	-	7.82%	781,760	7,817,600	7.82%	781,760	7,817,600
10	The English Government(7)	-	-	-	5.70%	569,903	5,699,030	5.70%	569,903	5,699,030
11	Ali Abdullah Juffali(8)	-	-	-	5.98%	597,864	5,978,640	5.98%	597,864	5,978,640

Source: Company Management

(1) Indirect ownership via the Saudi National Insurance Company BSC

(2) Indirect ownership via the Saudi National Insurance Company BSC and Neue Rückversicherungs-Gesellschaft (NewRe)

(3) Indirect ownership via Saudi Hollandi Bank

(4) Indirect ownership via RBS N. V. (previously "ABN AMRO N. V.)

(5) Indirect ownership via RBS Holdings N. V.

(6) Indirect ownership via RFS Holdings B. V.

(7) Indirect ownership via Royal Bank of Scotland Group

(8) Indirect ownership via E.A. Juffali & Brothers



#### 4-11-1 Saudi National Insurance Company BSC

Saudi National Insurance Company BSC is a Bahraini joint stock company established in Luxembourg in 1975G before relocating to the Kingdom of Bahrain in 1993G. It has a capital of (USD26,525,199) and practices all types of insurance in KSA through its agent, E.A. Juffali & Brothers.

The Saudi National Insurance Company BSC has been active in all areas of insurance in KSA, and has recorded GWPs of approximately USD77 million since 2009G.

In February 2010G, the Saudi National Insurance Company suspended issuance of new insurance policies in KSA and liquidated its insurance portfolio by not renewing clients' insurance policies upon their expiry. Wataniya Insurance Company, after its establishment and obtaining the required licenses from SAMA, has provided the clients of the Saudi National Insurance Company with insurance coverage. It should be noted that Wataniya Insurance Company has not acquired the Saudi National Insurance Company's insurance portfolio in KSA, and there has not been any evaluation of that portfolio.

The capital of the Saudi National Insurance Company BSC is (USD26,525,199) twenty-six million, five hundred and twenty-five thousand, one hundred and ninety-nine US dollars (equivalent to (SAR99,469,496) ninety-nine million, four hundred and sixty-nine thousand, four hundred and ninety-six Saudi Riyals) consisting of (26,525,199 shares) twenty-six million, five hundred and twenty-five thousand, one hundred and ninety-nine fully-paid shares with a nominal value of (USD1) one US dollar per share (equivalent to SAR3.75). The following table shows the shareholders of the Saudi National Insurance Company BSC.

**Table 17: Shareholders of the Saudi National Insurance Company BSC as of 31/12/2015G**

No.	Name	Ownership (%)
1	E.A. Juffali & Brothers	72.50%
2	Munich Reinsurance	22.50%
3	Zurich Insurance Group	5.00%
<b>Total</b>		<b>100.00%</b>

Source: Company Management

##### **E.A. Juffali & Brothers**

For information about E.A. Juffali & Brothers and a list of its shareholders, see subsection 4.11.4 ("E.A. Juffali & Brothers") below.

##### **Munich Reinsurance**

Munich Reinsurance operates in all areas of insurance and reinsurance across the globe and is headquartered in Munich, Germany. Munich Reinsurance is listed in all German stock markets, and no person, institution, or authority owns more than 5% of its share capital as of 31/12/2015G.

##### **Zurich Insurance Group**

Zurich Insurance Group operates in all areas of insurance and reinsurance and is headquartered in Zurich, Switzerland. Zurich Insurance Group serves its clients in the local and global markets, and is a listed company in which no person, institution, or authority owns more than 5% of its share capital as of 31/12/2015G.

#### 4-11-2 Saudi Hollandi Bank

Saudi Hollandi Bank ("The Bank") was incorporated as a Saudi joint stock company registered pursuant to Royal Decree number No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to 21 December 1976G). The Bank started its operations on 16 Sha'ban 1397H (corresponding to 1 August 1977G), after Algemene Bank Nederland NV transferred its operations to it. In the Kingdom of Saudi Arabia, the Bank operates under Commercial Registration No. 1010064925, dated 6 Jumada Al-Thani 1407H (Corresponding to 5 February 1987G) through its 60-branch network (31 December 2015G) in the Kingdom. The Bank's head office is located in the Kingdom of Saudi Arabia, Aldabab St., P.O Box 1467, Riyadh 11431.

The Bank and its subsidiaries aim to provide all types of banking and investment services. The Bank and its subsidiaries provide their clients with approved Shariah compliant banking products (commission-free) under the supervision of an independent Shariah authority established by the bank.

The bank has three subsidiaries, as follows:

– **Saudi Hollandi Capital**

Saudi Hollandi Capital was incorporated as a Saudi limited liability company wholly owned by the bank in accordance with CMA Decision No. 1-39-2007 under Commercial Registration No. 1010242378 dated 30 Dhul Hijjah 1428H (corresponding to 9 January 2008G) to undertake and manage the Group's investment services and asset management activities regulated by the CMA, including brokerage, asset management, debt arrangement, investment advisory services, and securities custody services. The Company commenced its business on 2 Rabi' Al-thani 1429H (corresponding to 9 April 2008G).

– **Saudi Hollandi Real Estate Company**

Saudi Hollandi Real Estate Company was incorporated as a limited liability company wholly owned by and subordinate to the Bank through direct ownership in the Kingdom of Saudi Arabia under Commercial Registration No. 1010250772 dated 21 Jumada Al-Ula 1429H (corresponding to 26 May 2008G) after obtaining SAMA's approval. The company was incorporated to register, under its name, the ownership of real estate assets obtained by the Bank as guarantees from the debtors.

– **Saudi Hollandi Insurance**

Saudi Hollandi Insurance was incorporated as a limited liability company wholly owned by and subordinate to the Bank through direct ownership under Commercial Registration No. 1010300250 dated 29 Muharram 1432H (corresponding to 4 January 2011G) after obtaining SAMA's approval. The company was incorporated to operate as an agent to sell insurance products to Wataniya Insurance Company, an affiliated company.

The following table shows the shareholders of the Saudi Hollandi Bank who own more than 5% of the capital.

**Table 18: Ownership percentage of shareholders owning more than 5% in Saudi Hollandi Bank as of 31/12/2015G.**

No.	Name	Ownership (%)
1	RBS N. V. (previously ABN AMRO N. V.)	40.00%
2	Olayan Saudi Investment Company Limited	21.73%
3	General Organization for Social Insurance	10.51%
<b>Total</b>		<b>72.14%</b>

Source: Company Management

**RBS N. V. (previously ABN AMRO N. V.)**

RBS N.V. (previously ABN AMRO N.V.) is wholly owned by RBS Holdings N. V., which is wholly owned by RFS Holdings B. V., 97.72% of which is owned by The Royal Bank of Scotland Group as of 31/12/2015G.

**The Royal Bank of Scotland Group**

The Royal Bank of Scotland Group is a British holding company operating in all banking and insurance fields headquartered in Edinburgh, Scotland. As of 31/12/2015G, the British government owned (through the HM Treasury) 72.9% of the votable shares of The Royal Bank of Scotland Group. Except for the British government, no person, institution, or authority owns more than 5% of the votable shares of The Royal Bank of Scotland Group.

**Olayan Saudi Investment Company Limited**

Olayan Saudi Investment Company Limited is 98.00% owned by Olayan Financial Group as of 31/12/2015G.

**Olayan Financial Group**

The following table shows the shareholders in Olayan Financial Group as at the date of this Prospectus.

**Table 19: Shareholder ownership in Olayan Financial Group as of the date of this Prospectus**

No.	Name	Ownership (%)
1	Sulaiman Olayan and Sons for Import and Export	50.00%
2	Sulaiman Olayan and Partners for Investment	50.00%
<b>Total</b>		<b>100.00%</b>

Source: Company Management

### Sulaiman Olayan and Sons for Import and Export

The following table shows the shareholders in Sulaiman Olayan and sons for Import and Export as of the date of this Prospectus.

**Table 20: Shareholder ownership in Sulaiman Olayan and Sons for Import and Export as of the date of this Prospectus**

No.	Name	Ownership (%)
1	Khaled Sulaiman Olayan	34.00%
2	Hayat Sulaiman Olayan	33.00%
3	Lubna Sulaiman Olayan	33.00%
<b>Total</b>		<b>100.00%</b>

Source: Company Management

### Suliman Olayan and Partners for Investment

The following table shows the shareholders in Sulaiman Olayan and Partners for Investment as of the date of this Prospectus.

**Table 21: Shareholders ownership percentage in Suliman Olayan and Partners for Investment as of the date of this Prospectus**

No.	Name	Ownership (%)
1	Khaled Sulaiman Olayan	34.00%
2	Hayat Sulaiman Olayan	33.00%
3	Lubna Sulaiman Olayan	33.00%
<b>Total</b>		<b>100.00%</b>

Source: Company Management

### 4-11-3 Neue Rückversicherungs-Gesellschaft (NewRe)

Specializing in all areas of insurance, Neue Rückversicherungs-Gesellschaft (NewRe) was incorporated in Zürich in 1926G, and is a subsidiary of Munich Reinsurance (for more information about Munich reinsurance, refer to sub-section 4.11.1 "Saudi National Insurance Company BSC," above). The operations of Neue Rückversicherungs-Gesellschaft (NewRe) mainly cover the European continent and it is active in reinsurance operations to cover other regions in the world through its accredited intermediaries. Neue Rückversicherungs-Gesellschaft (NewRe) is 99.99% owned by Munich Reinsurance as of 31/21/2015G.

### Munich Reinsurance

For information about Munich Reinsurance, refer to subsection 4.11.1 ("Saudi National Insurance Company BSC," above).

#### 4-11-4 E.A. Juffali & Brothers

E.A. Juffali & Brothers was incorporated in 1946G in Jeddah as a partnership and was later converted to a limited liability company. It is one of the leading companies in the Kingdom of Saudi Arabia in the fields of IT services, automotive agencies, spare parts, home appliances, energy and communication systems, building materials, etc. In 2011G, E.A. Juffali & Brothers was converted from a limited liability company to a Saudi closed joint stock company. E.A. Juffali & Brothers' share capital was (SAR100,000,000) one hundred million Saudi Riyals as of 31/12/2015G. The following table shows the shareholders in E.A. Juffali & Brothers as of the date of this Prospectus.

**Table 22: Shareholder ownership percentage in E.A. Juffali & Brothers as of 31/12/2015G**

No.	Name	Ownership (%)
1	Ali Abdullah Juffali	23.9745%
2	Fawzya Ibrahim Juffali	12.8200%
3	Walid Ahmed Juffali	12.4543%
4	Khaled Ahmed Juffali	12.4543%
5	Hatem Ali Juffali	4.3590%
6	Maha Ahmed Juffali	6.2271%
7	Amin Ali Juffali	4.3590%
8	Sami Ali Juffali	4.3590%
9	Mona Ali Juffali	2.1795%
10	Ayman Ali Juffali	4.3590%
11	Tarek Tarek Juffali	8.3029%
12	Taline Tarek Juffali	4.1514%
<b>Total</b>		<b>100.0000%</b>

Source: Company Management

#### 4-12 Companies in which the Company owns interest or shares

The Company owns 3.85% of Najm for Insurance Services ("Najm Company"), which currently works in the field of supplying the needs of insurance companies, providing support services for auto insurance as an expert in collision inspection and loss estimation, and is a specialist in settling insurance claims. Najm Company does not conduct business competitive with the company and does not have a license to practice insurance or reinsurance, intermediation, or agency in insurance in the Kingdom. Najm Company operates pursuant to SAMA approval No. 1916/M/AA/M A BB. Najm Company commenced business in 2007G in Riyadh, Saudi Arabia and was converted into a closed joint stock company on 12/10/1434H (corresponding to 18/08/2013G) under Commercial Registration No. 1010229751.

Except for its ownership in Najm Company, the Company has no ownership in other companies, subsidiaries or affiliates.

Najm Company's share capital is (SAR50,000,080) fifty million and eighty Saudi Riyals divided into (5,000,008) five million and eight fully-paid ordinary shares with a nominal value of (SAR10) ten Saudi Riyals per share. The following table shows the Company's ownership therein.

**Table 23: Company's ownership in other companies**

The Company	No. of Shares	Share nominal value (SAR)	Total nominal value (SAR)	Ownership (%)
Najm	192,308	10	1,923,080	3.85%

Source: Company Management

#### 4-13 Products and Services

This section provides a summary of the insurance products available at the Company and approved by SAMA. It does not include all the terms and conditions of the relevant insurance policies, and may include items that do not fully comply with the terms of such policies. Therefore it is not a substitute in any way for the provisions of such policies, and has no contractual or legal value.

The Company offers protection solutions through 42 different policies divided into seven sectors: marine insurance, property insurance, auto insurance, engineering insurance, accident and liability insurance, extended warranty insurance, and life insurance. The Company obtained SAMA's final approval for 18 insurance programs and temporary approvals for 24 insurance programs.

The Company has no business or substantial assets outside the Kingdom of Saudi Arabia.

## Products with final SAMA approval

The Company received SAMA's final approval to provide the products listed in the table below. Accordingly, the Company is committed to provide insurance coverage and protection for insured parties, and to SAMA's requirements of providing the necessary documents to update or amend any of these products and the policies thereof.

**Table 24: Products for which the Company has obtained final approval from SAMA**

No.	Name and description of the insurance policy	Date of final approval
1	<b>Hull Insurance Policy</b> Covers ship, yacht structures and machines against marine risks.	25/11/1431H (corresponding to 02/11/2010G)
2	<b>Burglary Insurance Policy</b> Covers the insured place insured against loss, damage, harm and burglary.	22/11/1431H (corresponding to 30/10/2010G)
3	<b>Marine Shipping Insurance Policy (one shipment)</b> Covers goods and commodities shipped by sea, air, and land against any actual accidental damage. A separate document is issued for each shipment.	25/11/1431H (corresponding to 02/11/2010G)
4	<b>Marine Shipping Insurance Policy (open contract)</b> Covers goods and commodities shipped by sea, air, and land by a certain means of transportation against any actual accidental damage. Automatically covers every shipment under previously agreed upon conditions.	25/11/1431H (corresponding to 02/11/2010G)
5	<b>Land Shipping Insurance Policy (all risks)</b> Covers goods and commodities transported by trucks against all risks.	25/11/1431H (corresponding to 02/11/2010G)
6	<b>Land Shipping Insurance Policy (road risks)</b> Covers goods and commodities shipped by land against certain risks such as fire, collision, and overturning.	25/11/1431H (corresponding to 02/11/2010G)
7	<b>Fidelity Insurance Policy</b> Covers against fidelity and fraud, theft, or embezzlement committed by insured employees.	16/12/1431H (corresponding to 22/11/2010G)
8	<b>Glass Breakage Insurance Policy</b> Covers fixed glass against loss or damage.	16/12/1431H (corresponding to 22/11/2010G)
9	<b>Money Insurance Policy</b> Covers losses related to money due to seizures or robbery during transport, while inside insured properties or a safe.	24/12/1431H (corresponding to 30/11/2010G)
10	<b>Work Injury Compensation Insurance Policy</b> Covers legal liability pursuant to the Saudi Labor Law to pay compensation and the claimant's expenses for any injuries incurred by any employee that occur during and due to performance of work.	25/02/1432H (corresponding to 29/01/2011G)
11	<b>Personal Accident Insurance Policy (individual)</b> Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	11/01/1433H (corresponding to 06/12/2011G)
12	<b>Personal Accident Insurance Policy (group)</b> Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	06/04/1433H (corresponding to 28/02/2012G)
13	<b>Life Insurance Policy (individual)</b> Covers death of the insured for any reason under specific conditions.	08/03/1433H (corresponding to 31/01/2012G)
14	<b>Life Insurance Policy (group)</b> Covers death of the insured for any reason under specific conditions.	13/01/1434H (corresponding to 27/11/2012G)
15	<b>Comprehensive Private Auto Insurance Policy</b> Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured private automobile.	19/05/1434H (corresponding to 31/03/2013G)
16	<b>Third Party Auto Liability Insurance</b> Covers body and property damage to third parties due to accidents involving an insured automobile.	19/05/1434H (corresponding to 31/03/2013G)

No.	Name and description of the insurance policy	Date of final approval
17	<b>Comprehensive Commercial Auto Insurance Policy</b> Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured private automobile.	19/05/1434H (corresponding to 31/03/2013G)
18	<b>Auto Dealer Insurance Policy (external risks)</b> Covers the responsibilities of the owners of dealerships and workshop owners while test driving customers' cars outside the insured place after repair.	19/05/1434H (corresponding to 31/03/2013G)

Source: Company Management

### Products that have received temporary approval from SAMA

The Company received SAMA's temporary approval to provide the products listed in the table below. Accordingly, the Company is committed to provide insurance coverage and protection for insured parties, and to SAMA's requirements of renewing the temporary approval for products every six months, providing necessary documents to update or amend them, and responding to any inquiries made by SAMA.

The Company has obtained the Temporary Approvals for the products specified in the following table, and they were extended for six months as of 26/03/1437G (corresponding to 06/01/2016G), except for the Household Workers' Insurance Policy, the approval period of which has expired, and was suspended by the Company until coverage and benefits are negotiated between the Regulatory Authorities, Concerned Government Authorities and the Company.

**Table 25: Products for which the Company has obtained temporary approval from SAMA**

No.	Name and description of the insurance policy	Date of temporary approval
1	<b>All Risks Insurance Policy</b> Comprehensive and complete coverage for industrial units or commercial properties, etc, against all risks (including accidental damage), except for what is specifically excluded by the policy.	26/03/1437H (corresponding to 06/01/2016G)
2	<b>Fire Insurance Policy</b> Covers losses and damages to insured properties from fire and other specific risks.	26/03/1437H (corresponding to 06/01/2016G)
3	<b>Property Insurance Policy (all risks)</b> Covers all risks causing substantial losses or damages to insured properties unless the risk causing the damage is excluded from the policy.	26/03/1437H (corresponding to 06/01/2016G)
4	<b>Business Interruption Insurance Policy</b> Covers actual loss of profits incurred due to interruption of business caused by an insured risk.	26/03/1437H (corresponding to 06/01/2016G)
5	<b>Comprehensive Housing Insurance Policy</b> Covers housing against a wide range of risks, such as fire.	26/03/1437H (corresponding to 06/01/2016G)
6	<b>Terrorism Risk Insurance Policy</b> Covers the risks of damage caused by terrorist acts.	26/03/1437H (corresponding to 06/01/2016G)
7	<b>Contractor Risk Insurance Policy</b> Covers all substantial damages caused by construction projects.	26/03/1437H (corresponding to 06/01/2016G)
8	<b>Installation Risk Insurance Policy</b> Covers risks related to storage, assembly, or installation, and covers the period of machine testing and operation at the factory. The policy grants full coverage against all risks unless specifically excluded.	26/03/1437H (corresponding to 06/01/2016G)
9	<b>Machinery Breakdown Insurance Policy</b> Covers unexpected substantial losses or damage incurred by plants or factories, and may cover loss of profit due to machinery breakdowns.	26/03/1437H (corresponding to 06/01/2016G)
10	<b>Contractor Plant and Machinery Insurance Policy</b> Covers any unexpected substantial loss or damage to the factory, plant or machines used in building and construction, etc.	26/03/1437H (corresponding to 06/01/2016G)

No.	Name and description of the insurance policy	Date of temporary approval
11	<b>Electronic Equipment Insurance Policy</b> Covers unexpected damage resulting from electronic devices. The policy also covers external information media and increased costs and work expenses.	26/03/1437H (corresponding to 06/01/2016G)
12	<b>Refrigerator Inventory Damage Insurance Policy</b> Covers loss or damage to inventory preserved in cooled warehouses resulting from unexpected deterioration of refrigerators.	26/03/1437H (corresponding to 06/01/2016G)
13	<b>Loss of Profits Following Machinery Breakdown Insurance Policy</b> Covers profit losses resulting from breakdowns of plants and machinery.	26/03/1437H (corresponding to 06/01/2016G)
14	<b>Travel Accident Insurance Policy</b> Covers policy holders while traveling abroad against specified risks such as death or injuries.	26/03/1437H (corresponding to 06/01/2016G)
15	<b>Civil Liability Insurance Policy</b> This policy covers the legal liability that the insured is legally liable for as compensation to third parties for accidental physical injury and covers any loss or damage to property of third parties resulting from performance of the insured party's work, profession, or business.	26/03/1437H (corresponding to 06/01/2016G)
16	<b>Professional Liability Insurance Policy (for architects)</b> Covers architects against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	26/03/1437H (corresponding to 06/01/2016G)
17	<b>Professional Liability Insurance Policy (medical malpractice)</b> Covers protection of any medical practitioner against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	26/03/1437H (corresponding to 06/01/2016G)
18	<b>Comprehensive Banking Insurance Policy</b> Covers banks against all risks such as employee disloyalty, theft, risks to money in transit, forgery, distortion, and counterfeit currency.	26/03/1437H (corresponding to 06/01/2016G)
19	<b>Extended Warranty Insurance Policy</b> Covers mechanical breakdowns of automobiles beyond the manufacturers' warranties provided by agents. Different levels are included: <ul style="list-style-type: none"> <li>• Platinum coverage of brand new cars</li> <li>• Gold coverage of brand new cars</li> <li>• Gold coverage of used cars</li> <li>• Silver coverage of used cars</li> <li>• Bronze coverage of used cars</li> </ul>	26/03/1437H (corresponding to 06/01/2016G)
20	<b>Household Workers' Insurance Policy*</b> Covers risks related to household workers.	08/10/1434H (corresponding to 15/08/2013G)

Source: Company Management

\* Use of comprehensive household workers' insurance is suspended until negotiations about coverage conditions and benefits between the regulators and the concerned government agencies are completed.

## 4-14 Future Products

The Company continuously evaluates opportunities for providing new individual, commercial, family, and public products to meet individual and institutional customer demands, subject to the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. Meanwhile, there are (2) products under consideration for approval by SAMA.

**Table 26: Company's products under consideration by SAMA**

No.	Name and description of the insurance policy	Date of study submission to SAMA
1	Auto Dealer Insurance Policy (internal risks) Covers the responsibility of showroom and workshop owners while repairing customers' automobiles inside the insured place	03/12/1434H (corresponding to 08/10/2013G)
2	Motorcycle Insurance Policy Covers physical and other damages to the property of third parties due to collisions involving insured motorcycles	03/12/1434H (corresponding to 08/10/2013G)

Source: Company Management

## 4-15 Distribution channels

The company distributes its products throughout the Kingdom by direct sales through its branches in Jeddah, Riyadh and Khobar, and agents and brokers approved by the insurance industry regulators in the Kingdom of Saudi Arabia. The Company's sales are primarily concentrated in the Western Region, representing 68.1% of total premiums subscribed for the period that ended on 31/12/2015G, followed by the Central Region with 20.2% and the Eastern Region with 11.7% for the same period.

Total premiums subscribed via agents represent 48.8% of total premiums subscribed for the period that ended on 31/12/2015G. Broker sales and direct sales represent 31.6% and 19.6% of total premiums subscribed for the period that ended on 31/12/2015G, respectively.

## 4-16 Reinsurance

Reinsurance is a process / agreement in which the reinsurer agrees to cover part of the risks insured or originally accepted by the insurance company (insurer). It is an essential requirement to achieve stability for the results of operations subscribed at the company and to reduce fluctuations and, thus, work as an effective tool for growth. It also provides flexibility in the magnitude, type of risks and volume of work which the company can reasonably undertake.

The Company reinsures a portion of the risks it assumes under its insurance operations to balance its risk exposure and protect its earnings and capital resources, subject to the Implementing Regulations. The company entered into programs and agreements with a number of international reinsurance companies. The following table shows the key reinsurance companies with which the company does business.

**Table 27: Key reinsurance companies with which the company does business as at 31/12/2015G**

Name	Nationality	Rating	Rating Agency
Partner Re	Bermuda	A+	S&P
Saudi Re	Saudi	BBB+	S&P
Hannover Re	German	AA-	S&P
R+V Versicherung AG	German	AA-	S&P
SCOR	French	A+	S&P
General Insurance Corp. of India	Indian	A-	A M Best
Swiss Re	Swiss	A+	S&P
XL Catlin Re	Irish	A+	S&P
Munich Re	German	AA-	S&P

Source: Company Management



## 4-17 Main Departments of the Company

### 4-17-1 Sales and Marketing

The Marketing and Sales Department supervises the Business Development Division, Direct Sales Division and Customer Service Division. This department is responsible for the marketing and sales of the Company's products by implementing established strategies based on product diversification. It uses a precise pricing method and promotes customer satisfaction to retain clients. The Sales and Marketing Department relies on a large-scale network for the distribution and segmentation of the market.

The Sales and Marketing Department strives to develop Company products to meet the needs of its clients while taking into account the Shariah requirements and the cultural background of the local community. The department also supervises direct and intermediary sales. It also organizes intensive advertising and public relations campaigns to enable the Company to assume a leading position throughout the insurance market and provide high quality, safe, and competitive products.

### 4-17-2 Governance, Legal and Administrative Affairs Department

The Department of Governance, Legal and Administrative Affairs includes the Investor Relations Division and the Legal and Administrative Affairs Division.

#### – Investor Relations Division

The Investor Relations Division is in charge of the following functions:

- Ensuring the Company's compliance with the legal and regulatory conditions, instructions and requirements issued by CMA
- Monitoring all information and statements addressed to the public to manage all information affecting the Company's share price
- Distributing the annual and interim financial reports including quarterly, semi-annual and other reports prepared by the Company
- Acting as a point of contact for the Company's Shareholders
- Keeping the public and the Company's Shareholders informed, at all times, of all significant developments at the Company

#### – Legal and Administrative Affairs Division

This Division represents the Company before all government agencies, provides legal advice, and manages all administrative affairs. It also plays an important role in ensuring compliance with all of the Kingdom's laws, regulations, and schedules, as well as attends and prepares the minutes of Board meetings.

### 4-17-3 Finance Department

The Finance Department supervises 4 sections: Administrative Reports, Investments and Budget, Receivables, and Money Management. This Department has many responsibilities, from bookkeeping to providing assistance to senior management's strategic decisions. The Department is tasked with ensuring the soundness and accuracy of financial information, preparing annual balance sheets, coordinating the preparation process of Company accounts with the external auditor, and ensuring that there is enough cash to meet daily expenses. The functions of this Department also includes managing customer credit and the collection policy, managing the vendor payment policy, providing financing advice and long term financing. The Finance Department also plays a significant supporting role for the Company and other departments by:

- ensuring the soundness and accuracy of all subscriptions
- providing up-to-date financial and administrative information to senior management
- preparing annual budgets and expectations and ensuring their compatibility

### 4-17-4 IT Department

The IT Department serves the Company through a series of services including computer systems integration, coordinating and providing training programs, coordinating and providing IT, and providing technical support. This Department supports the Company to achieve its operational objectives by providing IT services to enable employees and management to use technology to process data using best practices while providing a technological environment that enables the Company to quickly access information using the most effective and efficient software.

The IT Department's services include:

- Administrative IT services
- Networks and security management
- Hardware services
- Software services
- Business application management
- Data and information security management
- Data hosting center management
- Statistical and administrative reports development
- Business continuity system

The IT Department supervises technical service agreements with E.A. Juffali & Brothers for Information Systems (please see subsection 14.5.1 "Related party transactions").

#### **4-17-5 Human Resources Department**

The Human Resources Department manages employee affairs, analyses manpower requirements and meets the company's needs for human resources at all times by placing the right people in the right positions. This includes selecting, employing and recruiting manpower. This Department also tracks and applies changes to labor laws and works for the benefit of both employees and the Company. It also works to provide a safe workplace and handles employee disputes.

Responsibilities of this department include developing employees and managing their performance to ensure business continuity and growth, and providing the Company's employees with encouraging remunerations, compensations and training programs.

#### **4-17-6 Claims Department**

The Claims Department's role is to ensure that policyholders receive fair compensation for their incurred losses pursuant to the contractual obligations specified in the insurance policy. This Department makes the decisions on whether claim values will be paid or not by reviewing, approving and verifying claims. It supports the Company's profits while avoiding paying false or unreal compensation. This Department:

- Documents and records claims and maintains accurate records of the claims and payments reserve
- Promptly responds to claims
- Verifies the acceptability and compatibility of the claims with the provisions, terms and exceptions of the policy and regulations
- Develops and maintain procedures to verify the validity and accuracy of claims

#### **4-17-7 Technical Department**

The Technical Department includes 3 divisions: the Life Insurance Division, the Underwriting Division and the Reinsurance Division.

##### **– Life Insurance and Bancassurance Division**

The Life Insurance and Bancassurance Division markets and sells life insurance products for individuals and groups. It is also responsible for assessing their eligibility for insurance coverage and, accordingly, pricing policies. This assessment is based on the following factors:

- The risks associated and their size
- Company experience and market
- Market considerations (competitors, etc.)
- Possibility of reinsurance
- New insurance policy registration
- Insurance policy renewal
- Additions and exclusions of insurance policies

This Division manages the partnership between Saudi Hollandi Bank and the Saudi National Insurance Company; as the latter markets its products through Saudi Hollandi Bank's sales channels.

##### **– Underwriting Division**

The main role of this division is protecting the Company's books and records against all risks that might cause financial losses. The division studies the potential hazards before issuing and pricing insurance policies.

The responsibilities of the Underwriting Division include conducting risk assessments for new policies proposals; determining categories, rates and appropriate premiums; preparing and issuing insurance policies, and reassessing policies upon renewal.

The underwriting decision is based on the following factors:

- Associated risks and their magnitude
- Company experience and market
- Market considerations (competitors, etc.)
- Possibility of reinsurance
- Actuary pricing
- Implementation of underwriting standards
- New insurance policy registration
- Insurance policy renewal
- Additions and exclusions of insurance policies

#### – Reinsurance Division

The purpose of reinsurance is to distribute risk. Reinsurance protects insurers against unexpected losses by giving them an opportunity to distribute risks, allowing an increase in insurance volume and size, protection against major losses and catastrophes and achievement of operational results. The Reinsurance Department provides the insured with information about underwriting when any new product, insurance product or market is introduced. This Division also acts as a link with the reinsurers.

### 4-17-8 Compliance Department

The Compliance Department reports to the Audit Committee and ensures protection of the Company by enforcing the laws and regulations issued by the regulators of the insurance industry.

It performs its businesses in an integral, professional and specialized manner. Its main tasks are as follows:

- Effective support of the Company's Management in determining the compliance risks, reporting such risks, and providing internal reports about them
- Providing assistance to the Senior Management on its daily effective and profitable activities without violation of the legal controls
- Ensuring compliance with the principles of corporate activities, values, laws, controls and applicable regulations in the Kingdom of Saudi Arabia
- Promoting a culture of compliance and enhancing relationships with the regulators
- Implementing the Anti-Money Laundering Law

### 4-17-9 Internal Audit

Internal auditing has been outsourced to KPMG Al Fozan & Partners, and the internal auditing methodology can be summarized in the following six steps:

- Strategic analysis
- Evaluating project risks
- Developing the internal auditing plan
- Implementing the internal auditing tasks
- Reporting results
- Monitoring the issued resolutions

## 4-18 Personnel

As of 31 December 2015G, the total number of the Company is 118, of whom 56 are Saudis-a Saudization percentage of approximately 47.5%. The following table sets forth the details of the number of the Company's employees as of 31 December 2013G, 2014G and 2015G, and the Saudization rates in each department.

**Table 28: Details of Company personnel by department as of 31 December 2013G, 2014G and 2015G**

Division	31 December 2013G				31 December 2014G				31 December 2015G			
	Saudi	Non-Saudi	Saudi Employees	Total	Saudi	Non-Saudi	Saudi Employees	Total	Saudi	Non-Saudi	Saudi Employees	Total
Management	2	3	40.0%	5	3	3	50.0%	6	1	3	25.0%	4
Sales and Marketing	-	1	0.0%	1	-	1	0.0%	1	3	2	60.0%	5
Governance, Legal and Administrative Affairs	6	11	35.3%	17	5	11	31.3%	16	6	10	37.5%	16
Finance	1	7	12.5%	8	1	7	12.5%	8	2	7	22.2%	9
Information Technology	1	2	33.3%	3	1	3	25.0%	4	2	3	40.0%	5
Human Resources	2	1	66.7%	3	2	-	100.0%	2	4	-	100.0%	4
Claims	24	12	66.7%	36	17	14	54.8%	31	20	17	54.1%	37
Technical	8	18	30.8%	26	13	21	38.2%	34	17	20	45.9%	37
Compliance	1	-	100.0%	1	1	-	100.0%	1	1	-	100.0%	1
<b>Total</b>	<b>45</b>	<b>55</b>	<b>45.0%</b>	<b>100</b>	<b>43</b>	<b>60</b>	<b>41.7%</b>	<b>103</b>	<b>56</b>	<b>62</b>	<b>47.5%</b>	<b>118</b>

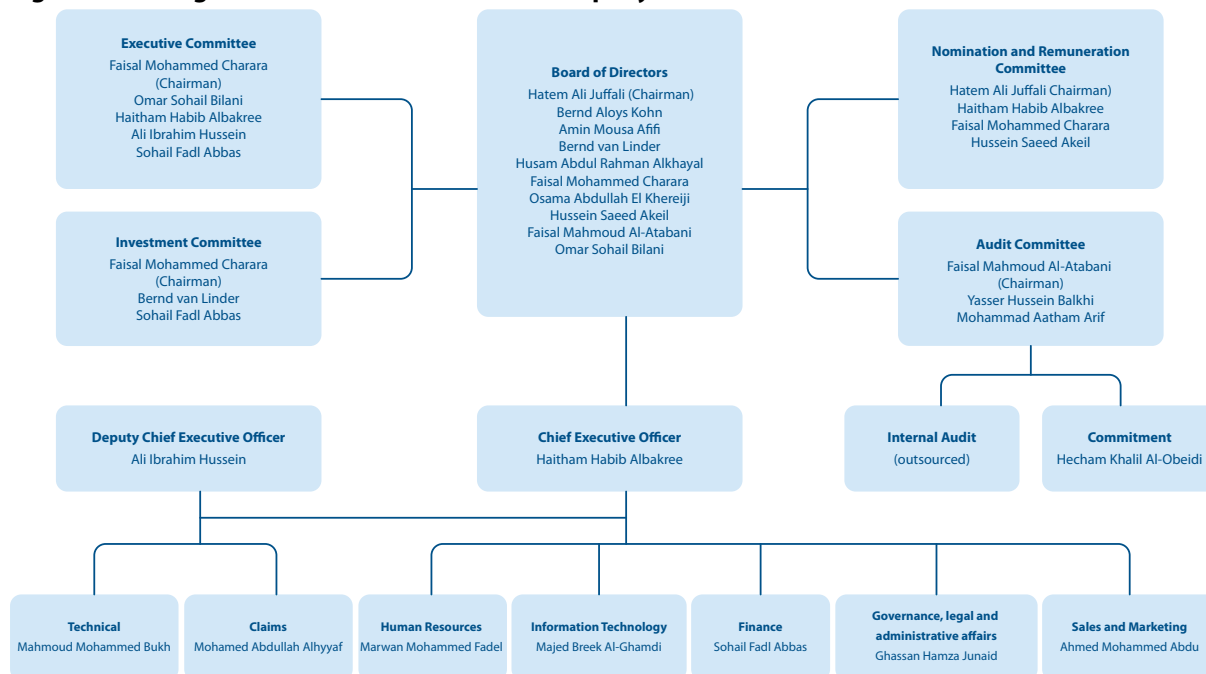
Source: Company Management

As of 09/03/2016G, the total number of Company personnel reached 124, of whom 63 are Saudis, representing a Saudization percentage of approximately 50.8%

## 5. ORGANIZATIONAL STRUCTURE AND GOVERNANCE OF THE COMPANY

### 5-1 ORGANIZATIONAL STRUCTURE

**Figure No. 1: Organizational Structure of the Company**



Source: Company Management

### 5-2 Board Members and Secretary

The Company is managed by a Board of Directors consisting of (10) Directors appointed by the Ordinary General Assembly for a period of no more than three years pursuant to the conditions and standards provided in the Company's by-laws and Governance Regulations and after approval by SAMA.

The Board includes subcommittees: the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, and the Investment Committee. These Committees help the Board of Directors to perform its duties more effectively and play a role in directing and guiding the Company's Management.

The key functions of the Company's Board of Directors are as follows:

- Adoption of the strategic guidance and main objectives of the Company and supervision over the implementation thereof, including:
  - Laying down the Company's comprehensive strategy, the main work plans, and the risk management policy as well as reviewing and directing the same.
  - Determining the optimum capital framework of the Company, its strategies and financial objectives and ratification of the annual budgets.
  - Overseeing the Company's capital expenses and acquiring and disposing of assets.
  - Defining performance objectives and overseeing the implementation and quality of the Company's overall performance.
  - Periodically reviewing and adopting the Company's organizational and functional structures.
- Laying down internal controls and systems and overseeing their implementation, including:
  - Laying down a written policy that regulates conflicts of interest in the Company and addresses potential conflicts of interest for the Board of Directors, the Executive Management, and the Shareholders. This includes misuse of the Company's assets and property and misconduct resulting from interactions with related persons.
  - Ensuring the correctness of the financial and accounting systems, including systems related to preparing financial reports.
  - Ensuring the implementation of control systems suitable for risk management by determining a general concept of the risks that the Company may face and presenting them transparently.

- Conducting an annual review of the effectiveness of the internal control procedures at the Company.
- Ratification of the Company's governance system in compliance with the laws and systems of the supervisory authorities in the Kingdom, generally supervising its implementation, monitoring its effectiveness, and amending it when necessary.
- Laying down clear and specific policies, standards, and procedures for Board membership and implementing them after obtaining the General Assembly's approval.
- Laying down written policies regulating the relationships with stakeholders to protect them and preserve their rights, including:
  - Mechanisms for compensating stakeholders if their rights approved by the laws and protected by contracts are violated.
  - Mechanisms for settling complaints or disputes which may arise between the Company and the stakeholders.
  - Appropriate mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of their information.
  - Code of Conduct for Company managers and employees that provide guidance on proper professional and ethical standards and regulate the relationship between Company managers and employees and stakeholders, provided that the Board of Directors sets forth the mechanisms for implementing and abiding by such rules.
  - Laying down mechanisms for the Company's contributions to social responsibility.
- Laying down policies and procedures to ensure that the Company respects the laws and regulations and its commitment to disclosure of material information.

The responsibilities of the Board of Directors are as follows:

- Without prejudice to the competencies of the General Assembly of the Company's Shareholders, the Company's Board of Directors shall have all the powers and authorities necessary for the management of the Company. The ultimate responsibility for the Company shall remain with the Board of Directors even if Committees are formed or if it delegates other bodies or individuals to perform some of its functions. Accordingly, the Board of Directors shall refrain from issuing blanket delegations.
- The Board of Directors shall comply with the responsibilities clearly provided in the Company's by-laws.
- The Board of Directors shall perform its tasks and responsibilities in good faith, diligently and carefully, and make decisions based on adequate information from the Executive Management or any other reliable source.
- Each Director shall work to achieve the best interest of the Company in general and not for the interest of the group that he represents or which voted for his appointment.
- The Board of Directors shall set the schedule of powers, including the financial powers delegated to the Executive Management, the procedures for making decisions, and the period of delegation. It shall also specify the matters in which it preserves the right to make decisions to itself. The Executive Committee shall submit periodic reports about its exercise of powers delegated thereto.
- The Board of Directors shall familiarize new Directors with the nature of the Company's work, particularly with respect to the financial and legal aspects, and to their training if necessary.
- The Board of Directors shall provide adequate information about the Company's affairs to all Directors in general and non-executive and independent Directors in particular to enable them to effectively perform their duties and functions.
- The Board of Directors shall not enter into loans with terms exceeding three years or sell or mortgage the Company's real estate, or discharge the company's debtors of their obligations towards the company, except as authorized to them in the Company's by-laws and pursuant to the conditions contained therein. If the Company's by-laws do not contain provisions in this respect, the Board of Directors may not take the aforementioned actions without permission from the General Assembly, unless such actions are within the scope and nature of the Company's work.

The Company's by-laws specify the powers of the Board of Directors as follows:

- To represent the Company in its relationships with third parties and entities, governmental and private, before all Shariah courts, the Board of Grievances, the Labor Offices, higher and lower committees for the settlement of labor disputes, the offices and committees for the settlement of commercial papers disputes, all other judicial committees, arbitration panels, the Civil Rights Authority, police stations, the chamber of commerce and industry, all companies, establishments, commercial banks, treasuries, government funds and financing institutions of all designations and competence as well as other lenders.
- To recognize, claim, defend, plead, litigate, assign, conciliate, accept and reject judgments, arbitrate, request and oppose the execution of judgments, receive the amounts collected from execution, discharge the company's debtors of their obligations, enter tenders and purchase, sell, and mortgage real estate.
- To contract and sign all types of contracts and documents and annexes thereto, decisions of amendment, agreements and instruments before the notary public and official bodies for and on behalf of the Company.
- To contract and sign loans, guarantees, sponsorship, instrument and agreements for buying and selling real estate and issuing power of attorney for and on behalf of the Company.

- To buy, sell, transfer and accept, receive, deliver, lease, and rent.
- To receive, pay, open accounts and certificates, withdraw and deposit in banks, issue guarantees to banks, funds and governmental financing institutions, and sign all papers, promissory notes, checks, and all commercial papers and documents and all banking transactions.

As of the date of this Prospectus, the Board of Directors consists of the following Directors:

**Table 29: The Directors**

Name	Position	Age	Nationality	Membership Status	Representing	Date of last SAMA approval	Shares Held			
							Direct Shares	Direct Percentage	Indirect Shares	Indirect Percentage
Hatem Ali Juffali <sup>(1)</sup>	Chairman	57	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	17/03/2013G	150,000	1.5000%	108,703	1.0870%
Bernd Aloys Kohn <sup>(2)</sup>	Director	45	German	Non-executive Non-independent	New Rokffersicherndz Jshavt (New Re)	27/02/2016G	-	-	-	-
Amin Mousa Afifi <sup>(3)</sup>	Director	56	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	27/02/2016G	-	-	-	-
Bernd van Linder <sup>(4)</sup>	Director	47	Dutch	Non-executive Non-independent	Saudi Hollandi Bank	17/03/2013G	-	-	-	-
Husam Abdul Rahman Alkhayal <sup>(4)</sup>	Director	44	Saudi	Non-executive Non-independent	Saudi Hollandi Bank	22/06/2015G	-	-	-	-
Faisal Mohammed Charara	Director	51	Saudi	Non-executive Non-independent	E.A. Juffali & Brothers	03/01/2015G	2,000	0.0200%	-	-
Osama Abdullah El Kherei	Director	56	Saudi	Non-executive Independent	Public	17/03/2013G	1,417	0.0142%	-	-
Hussein Saeed Akeil	Director	44	Saudi	Non-executive Independent	Public	17/03/2013G	6,000	0.0600%	-	-
Faisal Mahmoud Al-Atabani	Director	50	Saudi	Non-executive Independent	Public	17/03/2013G	1,000	0.0100%	-	-
Omar Sohail Bilani <sup>(5)</sup>	Director	56	Canadian	Non-executive Independent	Public	17/03/2013G	-	-	-	-

Source: Company Management

- (1) Mr. Hatem Ali Juffali owns 4.3590% of E.A. Juffali & Brothers, which holds a 5.0000% share in the Company. E.A. Juffali & Brothers also holds a 72.5000% share in the Saudi National Insurance Company BSC, which, in turn, owns a 27.5000% share in the Company. Thus, Hatem Ali Juffali's indirect share in the Company is:  $(4.3590\% \times 5.0000\%) + (4.3590\% \times 27.5000\% \times 72.5000\%) = 1.08703\%$ .
- (2) Swiss company Neue Rückversicherungs-Gesellschaft (NewRe) has agreed to allocate 1,000 membership shares of its shares to its representative as Qualification Shares.
- (3) The allocation of 1,000 Qualification Shares to Amin Mousa Afifi is underway.
- (4) Saudi Hollandi Bank has agreed to allocate 1,000 Membership Shares of its shares to each of its representatives as Qualification Shares.
- (5) Omar Sohail Bilani's membership status was changed to independent member based on SAMA's approval on 30 September 2014G. E.A. Juffali & Brothers has undertaken to allocate 1,000 membership shares of its shares to Omar Sohail Bilani as qualification shares, until the required membership shares are paid by him, which is not in conflict with the Companies Law and the Company's by-laws.

According to Article (68) of the Companies Law, each member of the Board of Directors must own a number of shares whose value shall not be less than ten thousand Saudi Riyals, which shall be set aside as a guarantee for the member's responsible management of the Company.

According to Article (38-1) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, no member of the Board shall own 5% or more of the Company's shares.

Otherwise, Board members and the Board Secretary and their relatives do not have any direct or indirect interest in the Company as at the date of preparation of this Prospectus.

## 5-2-1 Summary biographies of the Directors and Secretary

A brief summary of the experience, qualifications and current and previous positions of each of the Directors and the Secretary of the Board is set out below:

**Table 30: Summary biography of Hatem Ali Abdullah Juffali**

Name	Hatem Ali Abdullah Juffali
Age	57
Nationality	Saudi
Position	Chairman
Date of Appointment	27/12/2009G and extension of his membership was approved on 17/03/2013G
Academic Qualifications	Bachelor of Industrial Management, King Fahd University of Petroleum and Minerals, KSA, 1984G
Work Experience	<ul style="list-style-type: none"> <li>Chairman of the Company's Nomination and Remuneration Committee, 2012G to present</li> <li>Member of the Executive Committee of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company operating in IT services, auto dealerships and spare parts, appliances, power and communications systems, construction materials, etc., 1984G to present</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Chairman of the Board of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company working in IT services, auto dealerships and spare parts, appliances, power and communication systems, construction materials, etc., 2015G to present</li> <li>Chairman of the Board of Directors of Saudi National Insurance Company BSC, a Bahraini joint stock company operating in insurance, 1993G to present</li> <li>Member of the Board of Directors of Saudi Industrial Investment Group, a Saudi joint stock company operating in industrial investment, 2012G to present</li> <li>Member of the Board of Managers of Saudi Air Conditioning Manufacturing Company, a Saudi limited liability company manufacturing air conditioners, 1980G to present</li> <li>Member of the Board of Managers of Saudi Building Systems Manufacturing Company, a Saudi limited liability company that manufactures steel buildings, 1977G to present</li> <li>Member of the Board of Managers of Saudi Carrier Service Co., a Saudi limited liability company that manufactures air conditioners, 1987G to present</li> <li>Chairman of the Board of Managers of Arabian Chemical Company (Polystyrene) Ltd., a Saudi limited liability company that manufactures chemicals, 1984G to present</li> <li>Chairman of the Board of Managers of Arabian Chemical Company (Latex) Ltd., a Saudi limited liability company that manufactures chemicals, 1993 to present</li> <li>Member of the Board of Managers of Saudi Tractors Manufacturing Company, a Saudi limited liability company that manufactures tractors, 1981G to present</li> <li>Member of the Board of Managers of Ibrahim Al Juffali &amp; Bros Car Co., a Saudi limited liability company in the business of automobile trading, 2000G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Industrial Equipment Co., a Saudi limited liability company operating in industrial equipment trading, 2000G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Air Conditioning, Mechanical &amp; Electrical Company, a Saudi limited liability company working in AC repair and supplies, 2000G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Air Conditioning &amp; Home Appliances Company, a Saudi limited liability company operating in home appliance and AC repair and supplies, 2000G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali Technical Equipment Co., a Saudi limited liability company operating in spare parts trading, 2000G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Printing Systems Co., a Saudi limited liability company operating in the field of selling printing system equipment and spare parts, 2000G to present</li> <li>Chairman of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Chemical Products Co., a Saudi limited liability company working in manufacturing and selling chemical products, 2000G to present</li> </ul>



Name	Hatem Ali Abdullah Juffali
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Auto and Truck Spare Parts, a Saudi limited liability company working in truck spare part sales, 2002G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Heavy Equipment Co., a Saudi limited liability company working in selling heavy equipment, 2002G to present</li> <li>Chairman of the board of Managers Gulf Acrylic Manufacturing Company Ltd., a Saudi limited liability company working in selling acrylic products, 1998G to present</li> <li>Member of the Board of Managers of Saudi Electronic Computers Co., a Saudi limited liability company working in selling computers, 1980G to present</li> <li>Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Information Systems Co., a Saudi limited liability company working in marketing, developing, and selling information systems, 1982G to present</li> <li>Member of the board of Managers of Arabian Metal Industries Limited, a Saudi limited liability company that manufactures metal equipment, 1975G to present</li> <li>Member of the Board of Managers of Arabian Company for Electrical Equipment, a Saudi limited liability company working in selling electrical equipment, 1982G to present</li> <li>Member of the Board of Managers of the Arabian Air Conditioning Company Ltd., a Saudi limited liability company working in AC repair and supplies, 1980G to present</li> <li>Member of the Board of Managers of Saudi Refrigerators Manufacturing Company Ltd., a Saudi limited liability company that manufactures refrigerators, 1979G to present</li> <li>Member of the Board of Managers of Air Conditioning and Refrigeration Maintenance Company Limited, a Saudi limited liability company working in AC repair and supplies, 1976G to present</li> <li>Member of the Board of Directors of Saudi Ericsson Communications Company Limited, a Saudi limited liability company working in communications, 1981G to present</li> <li>Member of the Board of Directors of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company working in IT services, auto sales and spare parts, appliances, power and communication systems, construction materials, and others, 1995G-2015G</li> <li>Member of the Board of Directors of Saudi Cement Company, a Saudi listed joint stock company working in the manufacture and marketing of cement, 2006G-2009G</li> </ul>

**Table 31: Summary biography of Bernd Aloys Kohn**

Name	Bernd Aloys Kohn
Age	45
Nationality	German
Position	Director
Date of Appointment	Appointment approved on 27/02/2016G
Academic Qualifications	Master of Economics, University of Cologne, Germany, 1998G
Work Experience	<ul style="list-style-type: none"> <li>Chief Executive Officer of Munich Re in the MENA region, a German joint stock company working in reinsurance, 2014G to present</li> <li>Manager of Munich Re's branch in Singapore, a German joint stock company working in reinsurance, 2011G-2014G</li> <li>Executive Manager at Munich Re, a German joint stock company working in reinsurance, 2001G-2011G</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Munich Re in Africa, a German joint stock company working in reinsurance, 2015G to present</li> <li>Member of the Board of Directors of Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 2015G to present</li> </ul>

**Table 32: Summary biography of Amin Mousa Abdulkader Affi**

Name	Amin Mousa Abdulkader Affi
Age	56
Nationality	Saudi
Position	Director
Date of Appointment	Appointment approved on 27/02/2016G
Academic Qualifications	Bachelor of Business Administration, University of Texas, USA, 1984G
Work Experience	<ul style="list-style-type: none"> <li>• Chief Executive Officer of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company working in IT services, auto dealerships and spare parts, appliances, power and communications systems, construction materials, and others, 2010G to present</li> <li>• Head of Corporate Banking at NCB, a Saudi listed joint stock company working in banking, 2006G-2010G</li> <li>• Regional manager of the Eastern Region at Banque Saudi Fransi, a Saudi listed joint stock company working in banking, 2001G-2006G</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 2010G to present</li> <li>• Member of the Board of Managers of Saudi Air Conditioning Manufacturing Company, a Saudi limited liability company that manufactures air conditioners, 2010G to present</li> <li>• Member of the Board of Managers of Saudi Building Systems Manufacturing Company, a Saudi limited liability company that manufactures steel buildings, 2010G to present</li> <li>• Member of the Board of Managers of Saudi Carrier Service Co., a Saudi limited liability company that manufactures air conditioners, 2010G to present</li> <li>• Member of the Board of Managers of Arabian Chemical Company (Polystyrene) Ltd., a Saudi limited liability company manufacturing chemicals, 2010G-to present</li> <li>• Member of the Board of Managers of Arabian Chemical Company (Latex) Ltd., a Saudi limited liability company manufacturing chemicals, 2010G-to present</li> <li>• Member of the Board of Managers of Saudi Tractors Manufacturing Company, a Saudi limited liability company manufacturing tractors, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al Juffali &amp; Bros Car Co., a Saudi limited liability company working in car trading, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Industrial Equipment Co., a Saudi limited liability company working in industrial equipment trading, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Air conditioning, Mechanical &amp; Electrical Company, a Saudi limited liability company working in AC repair and supplies, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Air Conditioning &amp; Home Appliances Company, a Saudi limited liability company working in home appliance and AC repair and supplies, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali Technical Equipment Co., a Saudi limited liability company working in spare parts trading, from 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Printing Systems Co., a Saudi limited liability company working in selling printing systems' equipment and spare parts, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Chemical Products Co., a Saudi limited liability company working in manufacturing and selling chemical products, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Car and Truck Spare Parts, a Saudi limited liability company working in selling truck spare parts, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Heavy Equipment Co., a Saudi limited liability company working in selling heavy equipment, 2010G-to present</li> <li>• Member of the Board of Managers of Gulf Acrylic Manufacturing Company Ltd., a Saudi limited liability company working in selling Acrylic products, 2010G-to present</li> <li>• Member of the Board of Managers of Saudi Electronic Computers Co., a Saudi limited liability company working in selling computers, 2010G-to present</li> <li>• Member of the Board of Managers of Ibrahim Al-Juffali &amp; Brothers Information Systems Co., a Saudi limited liability company working in marketing, developing, and selling information systems, 2010G-to present</li> <li>• Member of the Board of Managers of Arabian Metal Industries Limited, a Saudi limited liability company working in manufacturing metal equipment, 2010G-to present</li> <li>• Member of the Board of Managers of Arab Company for Electrical Equipment, a Saudi limited liability company working in selling electrical equipment, 2010G-to present</li> </ul>

Name	Amin Mousa Abdulkader Afifi
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Managers of the Arabian Air Conditioning Co. Ltd, a Saudi limited liability company working in AC repair and supplies, 2010G-to present</li> <li>Member of the Board of Managers of Saudi Refrigerator Manufacturing Company Limited, a Saudi limited liability company working in refrigerator manufacturing, 2010G-to present</li> <li>Member of the Board of Managers of Maintenance of Air Conditioning and Refrigeration Company Limited, a Saudi limited liability company working in AC repair and supplies, 2010G-to present</li> <li>Member of the Board of Directors of Saudi Cement Company, a Saudi listed joint stock company working in manufacturing and marketing cement, 2016G-to present</li> </ul>

**Table 33: Summary biography of Bernd van Linder**

Name	Bernd van Linder
Age	47
Nationality	Dutch
Position	Director
Date of Appointment	17/03/2013G
Academic Qualifications	<ul style="list-style-type: none"> <li>MBA, University of Bradford, UK, 2001G</li> <li>Ph.D. in Artificial Intelligence, Utrecht University, the Netherlands, 1996G</li> <li>Master of Computer Sciences, Nijmegen University, the Netherlands, 1992G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Managing Director and Chief Executive Officer of Saudi Hollandi Bank, a Saudi listed joint stock company working in banking, 2009G to present</li> <li>Member of the Company's Investment Committee, 2012G to present</li> <li>General Manager of Treasury at the Saudi Hollandi Bank, a Saudi listed joint stock company working in banking, 2006G-2009G</li> <li>Global Head of Short-Term Treasury at ABN Amro Bank, a Dutch listed joint stock company working in banking, 2005G-2006G</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Managing Director of Saudi Hollandi Bank, a Saudi listed joint stock company working banking, 2009G to present</li> <li>Member of the Board of Directors of Saudi Hollandi Capital, a Saudi closed joint stock company working in financial investment, 2009G to present</li> </ul>

**Table 34: Summary biography of Husam Abdul Rahman Abdul-Mohsin Alkhayal**

Name	Husam Abdul Rahman Abdul-Mohsin Alkhayal
Age	44
Nationality	Saudi
Position	Director
Date of Appointment	22/06/2015G
Academic Qualifications	<ul style="list-style-type: none"> <li>Master of International Marketing, University of Strathclyde, UK, 1997G</li> <li>Master of Marketing, Loyola University, USA, 1996G</li> <li>Bachelor of Business Administration, University of Illinois, USA, 1996G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>General Manager of Corporate Banking at Saudi Hollandi Bank, a Saudi listed joint stock company working in banking, 2013G to present</li> <li>Head of Corporate Banking at SAMBA Financial Group, a Saudi listed joint stock company working in banking, 2001G-2013G</li> <li>Senior Marketing Analyst at the Industrial Development Fund, a Saudi government agency working in industrial project development, 1997G-2001G</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Diyar AlKhayyal for Real Estate Development, a Saudi closed joint stock company working in real estate, 2014G-to present</li> </ul>

**Table 35: Summary biography of Faisal Mohammed Hamza Charara**

Name	Faisal Mohammed Hamza Charara
Age	51
Nationality	Saudi
Position	Director
Date of Appointment	03/01/2015G
Academic Qualifications	<ul style="list-style-type: none"> <li>MBA, Harvard University, USA, 1994G</li> <li>Master of General Management, College of General Management, France, 1991G</li> <li>Bachelor of Economics, London University, UK, 1985G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Financial Manager of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company working in IT services, auto dealership and spare parts, appliances, power and communication systems, construction materials, etc., 2011G to present</li> <li>Chairman of the Company's Executive Committee, 2012G to present</li> <li>Chairman of the Company's Investment Committee, 2010G to present</li> <li>Member of the Company's Nomination and Remuneration Committee, 2012G to present</li> <li>Deputy Financial Manager of E.A. Juffali &amp; Brothers, a Saudi closed joint stock company working in IT services, auto dealership and spare parts, appliances, power and communication systems, construction materials, etc., 1995G-2010G</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Directors of NCB Capital Company, a Saudi closed joint stock company working in asset and investment management, 2011G to present</li> <li>Member of the Board of Directors of Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 2010G to present</li> </ul>

**Table 36: Summary biography of Osama Abdullah Abdulkarim El Kherei**

Name	Osama Abdullah Abdulkarim El Kherei
Age	Saudi
Nationality	56
Position	Director
Date of Appointment	27/12/2009G and extension of his membership was approved on 17/03/2013G
Academic Qualifications	Bachelor of Accounting, National University, USA, 1982G.
Work Experience	<ul style="list-style-type: none"> <li>President of Osama A. ElKherei &amp; Partner Co. - Certified Public Accountants and Business Consultants, a Member of PrimeGlobal, a Saudi limited liability company working in financial and administrative consulting, 1985G to present</li> <li>Chairman of the Audit Committee at Roots Group Arabia, a Saudi Arabian closed joint stock company working in commercial and real estate investment, 2011G to present</li> <li>Chairman of the Audit Committee at Gulf Investors Asset Management Company, a Saudi Arabian closed joint stock company working in financial investments activities, 2011G to present</li> </ul>
Other Positions	<ul style="list-style-type: none"> <li>Member of the Board of Directors of Roots Group Arabia, a Saudi Arabian closed joint stock company working in commercial and real estate investment, 2011G to present</li> <li>Member of the Board of Directors of Gulf Investors Asset Management Company, a Saudi Arabian closed joint stock company working in financial investments activities, 2011G to present</li> <li>Member of the Board of Directors of Amlak Real Estate Investment Company, an Egyptian joint stock company working in real estate investment, 2007G to present</li> <li>Member of Jeddah Governorate Council, a government agency of the Emirate of Mecca Region, 2007G to present</li> <li>Member of the Board of Directors of Akar Construction Company, an Egyptian joint stock company working in real estate investment, 2007G to present</li> </ul>

**Table 37: Summary biography of Hussein Said Mohammed Akeil**

Name	Hussein Said Mohammed Akeil
Age	44
Nationality	Saudi
Position	Director
Date of Appointment	27/12/2009G and extension of his membership was approved on 17/03/2013G
Academic Qualifications	<ul style="list-style-type: none"> <li>Ph.D. in Law, University of Denver, USA, 1998G</li> <li>Master of Political Science, University of California, USA, 1995G</li> <li>Bachelor of Political Science, University of California, USA, 1994G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Chief Legal Advisor at Abdul Latif Jameel IPR Company Limited, a Saudi closed joint stock company working in general trading, 2013G-2014G</li> <li>Senior Legal Advisor at NCB, a Saudi listed joint stock company working in banking, 2009G-2013G</li> <li>Member of the Company's Nomination and Remuneration Committee, 2012G to present</li> </ul>
Other Positions	N/A

**Table 38: Summary biography of Faisal Mahmoud Abdulkadir Al-Atabani**

Name	Faisal Mahmoud Abdulkadir Al-Atabani
Age	50
Nationality	Saudi
Position	Director
Date of Appointment	27/12/2009G and extension of his membership was approved on 17/03/2013G
Academic Qualifications	<ul style="list-style-type: none"> <li>Ph.D. in Law and International Economics, University of London, UK, 2007G</li> <li>Master of Commercial Law, University of Wales, UK, 2000G</li> <li>Bachelor of Systems, King Abdulaziz University, KSA, 1993G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Vice-Dean of Islamic Economic Institute, a center of King Abdulaziz University, 2010G to present</li> <li>Assistant Professor of Law, King Abdulaziz University, a Saudi government university, 2010G to present</li> <li>Legal Advisor licensed by the Saudi Ministry of Justice:</li> <li>Compliance and Legal Affairs Manager and Secretary of the Board of Allied Cooperative Insurance Group, 2008G-2009G</li> <li>Legal Advisor of King Fahd Academy in London, 2005G-2006G</li> <li>Legal Researcher, University of Wales and University of London, 1998G-2000G</li> <li>Chairman of the Company's Audit Committee, 2012G to present</li> </ul>
Other Positions	N/A

**Table 39: Summary biography of Omar Sohail Bilani**

Name	Omar Sohail Bilani
Age	56
Nationality	Canadian
Position	Director
Date of Appointment	27/12/2009G and extension of his membership was approved on 17/03/2013G
Academic Qualifications	<ul style="list-style-type: none"> <li>MBA, Lebanese American University, Lebanon, 1985G</li> <li>Bachelor of Business Administration, American University, Lebanon, 1981G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Managing Director and CEO of Mediterranean Group Insurance Brokerage, a Saudi closed joint stock company working in insurance brokerage, 2012G to present</li> <li>Managing Director and CEO of the Company, 2010G-2012G</li> <li>General Manager of the Saudi National Insurance Company BSC, a Bahraini joint stock company, working in insurance, 1997G to 2010G</li> <li>Member of the Company's Executive Committee, 2012G to present</li> </ul>

Name	Omar Sohail Bilani
Other Positions	<p>Chairman of Mediterranean Group Reinsurance Brokerage, a limited liability company registered in Dubai working in reinsurance brokerage, 2012G to present</p> <p>Member of the Board of Directors of Mediterranean Group Insurance Brokerage, a Saudi closed joint stock company working in insurance brokerage, 2012G to present</p> <p>Chairman of Demir Insurance Company, a Turkish closed joint stock company working in insurance, 2014G to present</p> <p>Member of the Board of Directors of Mediterranean Group Insurance Brokerage, a Saudi closed joint stock company working in insurance brokerage, 2014G to present</p>

**Table 40: Summary biography of the Company's Secretary: Ghassan Hamza Ali Junaid**

Name	Ghassan Hamza Ali Junaid
Age	42
Nationality	Saudi
Position	Board Secretary
Date of appointment in the Company	01/04/2010G
Academic Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, King Abdulaziz University, KSA, 2009G</li> <li>Higher Diploma in Vehicle Engineering, Jeddah College of Technology, KSA, 1994G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Head of the Company's Governance, Legal and Administrative Affairs Department, 2014G to present</li> <li>Manager of the Company's HR and Administrative Affairs Department, 2010-2013</li> <li>Manager of the HR Department at the Saudi National Insurance Company BSC, a Bahraini joint stock company in the insurance industry, 1999G-2009G</li> </ul>
Other Positions	N/A

## 5-2-2 Determining the Remuneration of the Board of Directors

There are no employment contracts for the Directors, in their capacity, with the Company; they are appointed pursuant to a resolution issued by the Company's Ordinary General Assembly in accordance with the Companies Law and the Company's by-laws. Directors receive remunerations for membership in the Board following the recommendation of the Nomination and Remuneration Committee and pursuant to the conditions and standards provided in the Companies Law and the Company's by-laws after SAMA's approval, and are submitted to the Board to be approved by the Company's Ordinary General Assembly.

The indemnities and remunerations of the Directors are determined in accordance with Article (17) of the Company's by-laws. They consist of allowances for performing their duties and an allowance for attending Board meetings and committee meetings, as provided in the Companies Law or any other laws, regulations or instructions supplementary thereto.

The remuneration of the Chairman of the Board for performing his duties shall be (SAR180,000) one hundred and eighty thousand Saudi Riyals per annum. The remuneration of each Director for performing their respective duties shall be (SAR120,000) one hundred and twenty thousand Saudi Riyals per annum.

The Chairman and each Director shall be paid (SAR3,000) three thousand Saudi Riyals for attending each Board meeting and (SAR1,500) one thousand five hundred Saudi Riyals for attending each meeting of the Board's Committees.

The Company shall also reimburse the Chairman and each Director for actual expenses incurred to attend meetings of the Board and the Board's Committees, including travel and accommodation expenses.

### 5-3 Senior Management

The Senior Management performs its duties under leadership of the CEO along with a team of highly competent senior executives. The company has obtained letters of non-objection issued by SAMA in connection with the duties of the senior executives referred to below.

As of the date of this prospectus, the senior management consists of the following members:

**Table 41: Senior Management**

Name	Position	Nationality	Age	Date of appointment at the Company	SAMA's approval
Haitham Habib Albakree	CEO	Saudi	43	01/04/2013G	Letter No. 341000020927 dated 17/02/1434H (corresponding to 30/12/2012G)
Ali Ibrahim Hussein*	Deputy CEO	Sudanese	65	01/04/2010G	N/A
Ahmed Mohammed Abdu**	Sales and Marketing Manager	Saudi	35	10/01/2016G	N/A
Ghassan Hamza Junaid*	Governance, Legal and Administrative Affairs Manager	Saudi	42	01/04/2010G	N/A
Sohail Fadl Abbas*	CFO	Pakistani	54	01/04/2010G	N/A
Majed Breek Al-Ghamdi	Information Technology Manager	Saudi	34	09/07/2015G	Letter No. 361000126816 dated 22/09/1436H (corresponding to 09/07/2015G)
Marwan Mohammed Fadel**	Human Resources Manager	Saudi	36	28/06/2015G	N/A
Mohammed Abdul-lah Alhyyaf	Claims Manager	Saudi	44	01/04/2010G	Letter No. 2247 M/T dated 26/09/1433H (corresponding to 14/08/2012G)
Mahmoud Mohammed Bukh*	Technical Manager	Djibouti	67	01/04/2010G	N/A
Hesham Khalil Al-Obeidi	Compliance Manager	Saudi	35	01/05/2012G	Letter No. 2247 M/T dated 26/09/1433H (corresponding to 14/08/2012G)

Source: Company Management

\*Appointed upon incorporation; Fit and Proper Forms were submitted to SAMA at the time.

\*\*The Fit and Proper Form has been submitted and the Company is still awaiting SAMA's approval

Except for Haitham Habib Albakree, the Company's CEO, who directly owns (7) shares in the Company, the members of the Senior Management do not own any direct or indirect shares in the Company.

Otherwise, no members of the Senior Management or any of their relatives own any direct or indirect interest in the Company as of the date of preparation of this Prospectus.

### 5-3-1 Summary biographies of the Senior Management

A brief summary of the experience, qualifications and current and previous positions of each of the members of Senior Management is set out below:

**Table 42: Summary biography of Haitham Habib Mohammed Albakree**

Name	Haitham Habib Mohammed Albakree
Age	43
Nationality	Saudi
Position	CEO
Date of appointment at the Company	01/04/2013G
Academic Qualifications	<ul style="list-style-type: none"> <li>Master in International Economics and Middle East Studies, Johns Hopkins University, USA, 2000G</li> <li>Bachelor Degree in Business Administration, Curry College, USA, 1996G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Member of the Company's Executive Committee, 2013G to present</li> <li>Member of the Company's Nomination and Remuneration Committee, 2013G to present</li> <li>Chief Operations Officer, FWU Global Takaful, a joint stock company registered in Dubai working in life insurance, 2011G-2012G</li> <li>Assistant General Manager of Strategic Management, AlJazira Takaful Company, a Saudi listed joint stock company working in cooperative insurance, 2009G-2011G</li> <li>Deputy General Manager and Head of Products and Distribution, and Secretary of the Board of Directors, Al Ahli Takaful Company, a Saudi listed joint stock company working in insurance, 2007G-2009G</li> <li>Head of Business Development, NCB, a Saudi listed joint stock company working in banking, 2002G-2007G</li> </ul>
Other Positions	N/A

**Table 43: Summary biography of Ali Ibrahim Hussein**

Name	Ali Ibrahim Hussein
Age	65
Nationality	Sudanese
Position	Deputy Chief Executive Officer
Date of appointment at the Company	01/04/2010G
Academic Qualifications	Bachelor of Commerce and Insurance, Cairo University, Egypt, 1974G.
Work Experience	<ul style="list-style-type: none"> <li>Member of the Company's Executive Committee, 2012G to present</li> <li>Assistant General Manager of the Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 1996G-2010G</li> <li>Underwriting Manager, Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 1990G-1996G</li> </ul>
Other Positions	N/A



**Table 44: Summary biography of Ahmed Mohammed Youssef Abdu**

Name	Ahmed Mohammed Youssef Abdu
Age	35
Nationality	Saudi
Position	Sales and Marketing Manager
Date of appointment at the Company	10/01/2016G
Academic Qualifications	Bachelor of Computer and Electronics Engineering, Umm Al-Qura University, KSA, 2006G
Work Experience	<ul style="list-style-type: none"> <li>• Senior Sales Manager, Allianz Saudi Fransi Cooperative Insurance, a Saudi listed joint stock company working in insurance, 2015G</li> <li>• Senior Sales Manager, Bupa Arabia for Cooperative Insurance, a Saudi listed joint stock company working in insurance, 2013G-2015G</li> <li>• Sales Manager, Maersk Group, a limited liability company working in marine shipping, 2011G-2013G.</li> <li>• Corporate Sales Manager, Saudi Mobile Telecommunications (Zain), a Saudi listed joint stock company working in communications, 2008G-2011G</li> </ul>
Other Positions	N/A

**Table 45: Summary biography of Ghassan Hamza Ali Junaid**

Name	Ghassan Hamza Ali Junaid
Position	Governance, Legal and Administrative Affairs Manager
Date of appointment at the Company	01/04/2010G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 46: Summary biography of Sohail Fadl Abbas**

Name	Sohail Fadl Abbas
Age	54
Nationality	Pakistani
Position	CFO
Date of appointment at the Company	01/04/2010G
Academic Qualifications	<ul style="list-style-type: none"> <li>• Certified Management Accountant, Pakistan, 1986G</li> <li>• Fellowship of Chartered Accountants, Pakistan, 1985G</li> <li>• Bachelor of Commerce, University of Karachi, Pakistan, 1982G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>• Member of the Company's Executive Committee, 2013G to present</li> <li>• Member of the Company's Investment Committee, 2012G to present</li> <li>• Financial Controller, Saudi National Insurance Company BSC, a Bahraini joint stock company working in insurance, 2001G-2010G</li> <li>• Executive Audit Manager, Ernst &amp; Young KSA, an office specialized in public accountancy and consultation, 1986G-2001G.</li> </ul>
Other Positions	N/A

**Table 47: Summary biography of Majed Breek Mohsin Al-Ghamdi**

Name	Majed Breek Mohsin Al-Ghamdi
Age	34
Nationality	Saudi
Position	Information Technology Manager
Date of appointment at the Company	09/07/2015G
Academic Qualifications	Bachelor of Computer Science, King Abdulaziz University, KSA, 2004G
Work Experience	<ul style="list-style-type: none"> <li>Senior Information Technology Auditor, NCB, a Saudi listed joint stock company working in banking, 2011G-2015G</li> <li>Assistant Manager of Information Technology auditing, Bank AlJazira, a Saudi listed joint stock company working in cooperative insurance, 2008G-2011G</li> <li>Unit Head of Networks and Information Security, Petro Rabigh, a Saudi listed joint stock company working in petrochemicals, 2006G-2008G</li> <li>IT system administrator, Fakieh Group, a Saudi limited liability company working in entertainment and tourism, 2006G</li> </ul>
Other Positions	N/A

**Table 48: Summary biography of Marwan Mohammed Kassem Fadel**

Name	Marwan Mohammed Kassem Fadel
Age	36
Nationality	Saudi
Position	Human Resources Manager
Date of appointment at the Company	28/06/2015G
Academic Qualifications	<ul style="list-style-type: none"> <li>Master of Human Resources, Griffith University, Australia, 2008G</li> <li>Bachelor of Information System Management, University of Business and Technology, KSA, 2005G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Manager of Human and Administrative Resources, Saudi Trade &amp; Export Development Company, a Saudi closed joint stock company working in logistics, 2013G-2015G</li> <li>Human Resources Manager, Jotun Saudi Company, a limited liability company working in paints and coatings, 2010G-2013G.</li> <li>Director of Human Resources, College of Business Administration, Science and Technology University, Jeddah, KSA, working in education, 2006G-2007G</li> <li>Administration Executive, College of Business Administration, Science and Technology University, Jeddah, KSA, working in education, 2005G-2006G</li> <li>Academic Affairs Executive, College of Business Administration, Science and Technology University, Jeddah, KSA, working in education, 2004G-2005G</li> </ul>
Other Positions	N/A

**Table 49: Summary biography of Mohammed Abdullah Ali Alhyyaf**

Name	Mohammed Abdullah Ali Alhyyaf
Age	44
Nationality	Saudi
Position	Head of Claims
Date of appointment at the Company	01/04/2010G
Academic Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Business Administration, The American University in London (international distance learning), Jeddah, KSA, 2008G</li> <li>Diploma in Hospital Management, Management Institute, KSA, 1992G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Compliance Manager at the Company, 2010G-2012G</li> <li>Branch Manager, SABB, a Saudi listed joint stock company working in banking, 2005G-2009G</li> <li>Operation Branch Manager, SABB, a Saudi listed joint stock company working in banking, 1999G-2005G</li> <li>Customer Service Representative, SABB, a Saudi listed joint stock company working in banking, 1993G-1999G</li> </ul>
Other Positions	N/A

**Table 50: Summary biography of Mahmoud Mohammed Bukh**

Name	Mahmoud Mohammed Bukh
Age	67
Nationality	Djibouti
Position	Technical Manager
Date of appointment at the Company	01/04/2010G
Academic Qualifications	Secondary School, Djibouti, 1976G
Work Experience	<ul style="list-style-type: none"> <li>Technical manager, SALAMA for Cooperative Insurance, a Saudi listed joint stock company working in insurance, 2009G-2010G</li> <li>Assistant General Manager, Red Sea Insurance Co Ltd, a Bahraini limited liability company, working in insurance, 2001G-2009G</li> <li>Reinsurance Manager, Red Sea Insurance Co Ltd, a Bahraini limited liability company, working in insurance, 1986G-2001G</li> </ul>
Other Positions	N/A

**Table 51: Summary biography of Hesham Khalil Mohammed Al-Obeidi**

Name	Hesham Khalil Mohammed Al-Obeidi
Age	35
Nationality	Saudi
Position	Compliance Manager
Date of appointment at the Company	01/05/2012G
Academic Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Information Technology and Computing, Arab Open University, KSA, 2011G</li> <li>Management Diploma, Institute of General Management, KSA, 2001G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Branch Operations Manager, SABB, a Saudi listed joint stock company working in banking, 2011G-2012G</li> <li>Customer Relations, SABB, a Saudi listed joint stock company working in banking, 2009G-2011G</li> <li>Supervisor of Customer Relations, SABB, a Saudi listed joint stock company working in banking, 2006G-2009G</li> <li>Senior Customer Service Representative, SABB, a Saudi listed joint stock company working in banking, 2003G-2006G</li> <li>Customer Service Representative, SABB, a Saudi listed joint stock company working in banking, 2001G-2003G</li> </ul>
Other Positions	N/A

## 5-4 Indemnity and remuneration of Board members and Senior Executives

The following table illustrates the indemnities, privileges, and wages received by board members and salaries, bonuses, and allowances for five Senior Executives of the Company including the CEO and CFO during 2012G, 2013G, and 2014G:

**Table 52: Indemnity and remuneration of Board members and senior Executives**

SAR	2012G	2013G	2014G
Board of Directors	1,264,581	1,258,581	116,104
Top Senior Executives including the CEO and CFO	4,299,000	6,346,000	7,336,000
<b>Total</b>	<b>5,563,581</b>	<b>7,604,581</b>	<b>7,452,104</b>

Source: Company's Management

## 5-5 Corporate Governance

The Company is committed to implement the highest standards of Corporate Governance in line with the requirements of the Corporate Governance Regulations and amendments thereof issued by the Capital Market Authority (CMA). The Company Board knows that effective management and control are important for the Company's success. By adopting and implementing the highest standards of governance, the Company aims to ensure that its Board is working to achieve the ultimate interests of the shareholders and provide a factual, clear and fair picture of the Company's financial position and the results of its operations.

Accordingly, the Company has approved governance regulations at the Ordinary General Assembly on 13/05/1434H corresponding to 25/03/2013G pursuant to the systems, regulations, and instructions issued by the CMA, particularly the Corporate Governance Regulations and the amendments thereto issued by the CMA.

The Company's corporate governance system consists of:

- Shareholder Rights and General Assembly Regulations
- Disclosure and Transparency Policies Regulations
- Board of Directors Regulations
- Audit Committee's Regulations
- Nomination and Remuneration Committee Regulations
- Executive Committee Regulations
- Investment Committee Regulations
- Conflict of Interest policy

The Company is committed to implementing all applicable regulations and systems issued by the supervisory and regulatory authorities.

The Company has a clear division of responsibilities between the supervisory roles of the Board of Directors and Executive Management and has systems and internal controls where, it has assigned the internal audit to a specialized company: KPMG Fozan & Partners, to perform internal auditing who has prepared a comprehensive manual for internal auditing on the basis of which it has performed the internal auditing and prepared the required reports for submission to the audit Committee in conformity with the Internal Audit Plan approved by the Board of Directors.

Based on the Company's by-laws and corporate governance regulations, the Board of Directors has formed (4) four subcommittees to enable it to perform its duties in a better and more efficient way, namely the Executive Committee, the Nomination and Remuneration Committee and Investment Committee. The Board of Directors formed such committees in accordance with the Corporate Governance Regulations.

## 5-6 Board Committees

### 5-6-1 Executive Committee

The Executive Committee consists of (5) five members to be appointed based on nominations made by the Nomination and Remuneration Committee.

The duties of the Executive Committee include the following:

- Recommendations to the Board of Directors about strategic and action plans, budgets, and business plans developed by the management.
- Taking decisions on the issues entrusted to it by the Board and which is beyond the Company's CEO authorities including matters related to capital expenditures and procurements within its limits.

The Executive Committee held (4) four meetings during 2014G and (2) two meetings during 2015G. It should be noted that the number of required meetings in accordance with the Company's by-laws is (6) six meetings.

The Executive Committee consists of the following members:

**Table 53: Members of the Executive Committee**

Name	Position
Faisal Mohammed Charara	Committee Chairman
Omar Sohail Bilani	Member of the Committee
Haitham Habib Albakree	Member of the Committee
Ali Ibrahim Hussein	Member of the Committee
Sohail Fadl Abbas	Member of the Committee

Source: Company Management

### **Summary biographies of the members of the Executive Committee**

A brief summary of the experience, qualifications and current and previous positions of each of the Executive Committee members is set out below:

**Table 54: Summary biography of Faisal bin Mohammed Hamza Charara**

Name	Faisal bin Mohammed Hamza Charara
Position	Member of the Executive Committee
Date of Appointment	11/02/2012G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 55: Summary biography of Omar Sohail Bilani**

Name	Omar Sohail Bilani
Position	Member of the Executive Committee
Date of Appointment	12/05/2012G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 56: Summary biography of Haitham Habib Mohammed Albakree**

Name	Haitham Habib Mohammed Albakree
Position	Member of the Executive Committee
Date of Appointment	01/04/2013G
Biography	Please refer to subsection 5.3.1 "Summary biographies of the Senior Management" in this section.

**Table 57: Summary biography of Ali Ibrahim Hussein**

Name	Ali Ibrahim Hussein
Position	Member of the Executive Committee
Date of Appointment	12/05/2012G
Biography	Please refer to subsection 5.3.1 "Summary biographies of the Senior Management" in this section.

**Table 58: Summary biography of Sohail Fadl Abbas**

Name	Sohail Fadl Abbas
Position	Member of the Executive Committee
Date of Appointment	09/07/2013G
Biography	Please refer to subsection 5.3.1 "Summary biographies of the Senior Management" in this section.

## 5-6-2 Audit Committee

The Board of Directors is committed to setting up an Audit Committee for a term of (3) three years consisting of no less than (3) members and no more than (5) five non-executive members, including a financial and accounting specialist.

The duties of the Audit Committee include the following:

- To ensure that proper procedures are followed by the Company and compliance with the applicable laws in KSA.
- To review the Company's periodic financial reports submitted to SAMA.
- To provide SAMA with all information that it may require.
- To oversee the Company's Internal Audit Department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To study the Internal Audit System and issue a report on the Committees' opinion and recommendations in respect thereof.
- To study the Internal Audit Reports and oversee the implementation of corrective actions for the notes contained therein.
- To express recommendations to the Board of directors on the appointment and dismissal of certified public accountants and determine their wages, and to ascertain that certified public accountants are independent before recommending them.
- To oversee the work of the certified public accountants and approve any work that falls outside the scope of auditing assigned to them during the performance of their work.
- To study the Audit Plan with the certified public accountants and express their comments with regards thereto.
- To study the comments of the two certified public accountants regarding the financial statements and oversee the actions taken in their regard.
- To study, express opinions, and make recommendations with regards to the preliminary and annual financial statements before submitting them to the Board of Directors.
- To study the applicable accounting policies and provide opinions and recommendations to the Board of Directors with regard thereto.
- To discuss and review the Company's risk assessment policies.
- To evaluate the performance and approve the appointment of the Company's internal auditor.
- To periodically provide the Board of Directors with assessments of the Company's performance, financial position and compliance with regulations.
- To establish an internal system at the Company for receiving and addressing complaints related to accounting standards and auditing.
- To ensure that the confidentiality of the Company's customers information is maintained.

The Audit Committee has held eight (8) eight meetings during 2014 and (15) fifteen meetings during in 2015.

The Audit Committee consists of the following three members:

**Table 59: Members of the Audit Committee**

Name	Position
Faisal Mahmoud Al-Atabani	Committee Chairman
Yasser Hussein Balkhi	Committee member - Financial and Accounting affairs Specialist
Mohammad Aatham Arif	Committee member

Source: Company Management

### Summary biographies of the members of the Audit Committee

A brief summary of the experience, qualifications and the current and previous positions of each of the Audit Committee members is set out below:

**Table 60: Summary biography of Faisal Mahmoud Abdulkadir Al-Atabani**

Name	Faisal Mahmoud Abdulkadir Al-Atabani
Position	Audit Committee Chairman
Date of Appointment	12/05/2012G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 61: Summary biography of Yasser Hussein Omar Balkhi**

Name	Yasser Hussein Omar Balkhi
Age	53
Nationality	Saudi
Position	Member of the Audit Committee
Date of Appointment	12/05/2012G
Academic Qualifications	<ul style="list-style-type: none"> <li>Fellowship of Chartered Accountants, KSA, 2010G</li> <li>Bachelor of accounting, King Abdulaziz University, KSA, 1985G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Head of Yasser Balkhi office, KSA, specialized in public accounting and consultation, 2010G to present</li> <li>Partner in Deloitte &amp; Touche, KSA, specialized in public accounting and consulting, 2006G-2010G</li> <li>Financial Manager and Treasury Manager, Ma'aden Gold and Base Metals Company (A company wholly owned by Ma'aden Company) working in developing and operating gold business and base metals, a Saudi limited liability company, 1995G-2006G</li> <li>Supervisor, Ernst &amp; Young, KSA, specialized in public accounting and consultation, 1990G-1995G.</li> <li>Budget supervisor at the Saudi Electricity Company, 1987G-1990G</li> <li>Assistant Accountant, Saudi Industrial Development Fund, 1985-1987G</li> </ul>
Other Positions	N/A

**Table 62: Summary biography of Mohammad Aatham Mohammed Arif**

Name	Mohammad Aatham Mohammed Arif
Age	55
Nationality	Pakistani
Position	Member of the Audit Committee
Date of Appointment	12/05/2012G
Academic Qualifications	<ul style="list-style-type: none"> <li>CPA, USA, 1990G</li> <li>Master of Accounting, Florida State University, USA, 1990G</li> <li>Master of Financial Science, Institute of Business Administration, Pakistan, 1984G</li> <li>Bachelor of Marketing, University of Karachi, Pakistan, 1983G</li> </ul>
Work Experience	<ul style="list-style-type: none"> <li>Finance and Administration Director, Islamic Corporation for the Insurance of Investment and Export Credit, a Saudi joint stock company working in financial services, 1998G to present</li> <li>Staff Accounting at ExxonMobil, KSA, an American multinational corporation working in the oil industry, 1994G-1998G</li> <li>Finance Manager, Pearl Continental, Pakistan, 1990G-1994G</li> </ul>
Other Positions	N/A

### 5-6-3 Nomination and Remuneration Committee

The Board of Directors is committed to forming a three-year Nomination and Remuneration Committee consisting of no less than (3) three members and no more than (5) members.

The duties of the Nomination and Remuneration Committee include the following:

- To develop and propose self-evaluation of the annual performance of the Board of Directors.
- To develop and propose the Company's by-laws and internal policies related to corporate governance and submit them to the Board of Directors.
- To oversee and review the implementation of corporate governance laws and regulations.
- To sort, evaluate, and submit the proposals of the Board of Directors related to membership of the Board of Directors and Board Committees to the Board of Directors.
- To supervise the nomination of Directors to Board Committees with regard to the qualifications and specializations of each Director and to review proposed remunerations.
- To assist the Board of Directors, and participate, in selecting the membership of the development of the performance of the Executive Committee, selecting the CEO and reviewing the remuneration of the Company's employees.
- To give an orientation presentation about the company's operations to new Board members.

- To participate in the annual evaluation of the compliance of the Board members and members of the Executive Committee with professional ethics and report violations to the Board of Directors.
- To propose the method and amount of remuneration to be paid to Board members, and to work to recruit and encourage qualified personnel to join the Company's Board of Directors to best serve the Shareholders' interests.
- To evaluate and formulate comments pertaining to remunerations and compensations to be paid to the CEO, the Executive Committee and the Company's employees.
- To evaluate and advise the Board of Directors on the performance and responsibility of the Company's Management toward the Company's employees.
- To ensure compliance with the Company's policies and social responsibility.
- To identify and evaluate risks related to management and the Company's environment, and assess the best way to deal with them.

The Nomination and Remuneration Committee held (2) two meetings during 2014G and (2) two meetings during 2015G. However, the Company did not organize minutes for the meetings held during 2015G.

The Nomination and Remuneration Committee consists of the following three members:

**Table 63: Nomination and Remuneration Committee Members**

Name	Position
Hatem Ali Juffali	Committee Chairman
Haitham Habib Albakree	Member of the Committee
Faisal Mohammed Charara	Member of the Committee
Hussein Saeed Akeil	Member of the Committee

Source: Company Management

#### **Summary biographies of the members of the Nomination and Remuneration Committee**

A brief summary of the experience, qualifications and the current and previous positions of each of the members of the Nomination and Remuneration Committee is set out below:

**Table 64: Summary biography of Hatem Ali Abdullah Juffali**

Name	Hatem Ali Abdullah Juffali
Position	Chairman of the Nomination and Remuneration Committee
Date of Appointment	12/05/2012G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 65: Summary biography of Haitham Habib Mohammed Albakree**

Name	Haitham Habib Mohammed Albakree
Position	Member of the Remuneration and Nomination Committee
Date of Appointment	09/07/2013G
Biography	Please refer to subsection 5.3.1 "Summary biographies of the Senior Management" in this section.

**Table 66: Summary biography of Faisal bin Mohammed Hamza Charara**

Name	Faisal bin Mohammed Hamza Charara
Position	Member of the Remuneration and Nomination Committee
Date of Appointment	12/05/2012G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.



**Table 67: Summary biography of Hussein Saeed Muhammed Akeil**

Name	Hussein Saeed Muhammed Akeil
Position	Member of the Remuneration and Nomination Committee
Date of Appointment	10/12/2012
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

#### 5-6-4 Investment Committee

The Investment Committee consists of three (3) members appointed by the Board of Directors.

The duties of the Investment Committee include the following:

- To define the Company's investment objectives and policies and make recommendations in this respect to the Board of Directors, including the identification of risk tolerance levels, diversity of assets, and diversity of investment operations.
- To oversee the performance of investment operations, including assessing investment results to determine the success of the investment strategies and ensure compliance with the Company's investment policies.
- To discuss and express opinions on other matters related to investment as necessary for investment management and achieving the Company's interest.

The Investment Committee held (2) two meetings during 2014G and (2) two meetings during 2015G;

The Investment Committee consists of the following members:

**Table 68: Investment Committee Members**

Name	Position
Faisal Mohammed Charara	Committee Chairman
Bernd van Linder	Member of the Committee
Sohail Fadl Abbas	Member of the Committee

Source: Company Management

#### Biography summary of the members of the Investment Committee

A brief summary of the experience, qualifications and the current and previous positions of each of the Investment Committee members is set out below:

**Table 69: Summary biography of Faisal bin Mohammed Hamza Charara**

Name	Faisal bin Mohammed Hamza Charara
Position	Member of the Investment Committee
Date of Appointment	01/04/2010G
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 70: Summary biography of Bernd van Linder**

Name	Bernd van Linder
Position	Member of the Investment Committee
Date of Appointment	10/12/2012
Biography	Please refer to subsection 5.2.1 "Summary biographies of the Directors and Secretary" in this section.

**Table 71: Summary biography of Sohail Fadl Abbas**

Name	Sohail Fadl Abbas
Position	Member of the Investment Committee
Date of Appointment	10/12/2012
Biography	Please refer to subsection 5.3.1 "Summary biographies of the Senior Management" in this section.

## 5-7 Commitment to Saudization

The Company is committed to employ Saudi nationals for the various jobs therein to maintain the applicable Saudization percentage, which requires public enterprises operating in the Kingdom, including this Company, to employ and retain a certain number of Saudi citizens. The existing challenge in regard to the employment of Saudi nationals is, however, to recruit and retain qualified employees.

The Company has achieved a Saudization rate of 47.78% as of 02/03/2016G and has been categorized within the “high green category” of the Nitaqat program. However, the Company has not been able to achieve the Saudization rate of 50% imposed thereon by SAMA in October 2015G. It should be noted that as of 09/03/2016G, the Saudization rate at the Company has reached 50.8%.

## 5-8 Employee Share Program

Currently, the Company does not have any programs for allocating shares to employees or other arrangements involving the employees in the capital of the Company.

## 5-9 Conflict of Interest

No Powers are to be granted by the Company's by-laws or any regulations or internal policies that enable a Board member to vote on a contract or offer in which he has vital interest whether directly or indirectly, in conformity with Article No. (69) of the Companies Law, which provides that no Board member shall have any interest directly or indirectly in the transactions and contracts which are made for the Company's account without the approval of the Ordinary General Assembly to be renewed each year. According to the provisions of said Article, a Board member shall inform the Board of any personal interest he has in the transactions and contracts which are made for the Company's account. The Chairman of the Board shall disclose to the General Assembly upon convening any and all transactions and contracts in which any of the Board members has a personal interest, provided that such disclosure is supported by a special report from the Auditor. Such information shall be recorded in the minutes of the Board Meeting and no member who has an interest is to participate in voting on the resolution proposed in this regard.

Based on the above, the Board members shall adhere to the following:

- Compliance with the provisions of Articles (69) and (70) of the Companies Law and Article (18) of the Corporate Governance Regulations.
- Not to vote on any of the contracts concluded with related parties in the General Assembly Meetings.
- Not to enter into competition with the Company's business; all transactions with related parties in the future will be conducted at arm's length in accordance with the provisions of Article (70) of the Companies Law.
- The Company has entered into contracts with related parties such as Shareholders and Board members in respect to selling some of the Company's insurance products (please see subsection 14.5.1 “Related party transactions”).

## 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

### 6-1 Introduction

The following provides an analytical review of the Company's financial performance and condition during the financial years ended 31 December 2013G, 2014G and 2015G. It is based upon, and should be read in conjunction with, the Company's audited financial statements for the financial years ended 31 December 2013G, 2014G and 2015G, and the notes thereto included in this Prospectus.

Deloitte & Touche and PricewaterhouseCoopers audited the Company's financial statements for the financial years ended 31 December 2013G and 2014G. Ernst and Young and PricewaterhouseCoopers audited the financial statements for the financial years ended 31 December 2015G. The Company issues its financial statements in Saudi Riyals.

This discussion and analysis may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under Section 2 "Risk Factors".

The figures in this section are presented in Saudi Riyals, unless otherwise stated and are rounded to the nearest thousand. Therefore, the sum of those numbers may be different from what is contained in the tables. It should also be noted that all annual growth rates and compounded annual growth rates are based on the figures rounded to nearest thousand in the tables herebelow.

### 6-2 Directors' declaration for financial information

The Board of Directors, jointly and severally, declare that:

- To the best of their knowledge and belief, the financial information presented in this section is extracted without material changes from the audited Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS").
- No shares of the Company are under option as at the date of this Prospectus.
- The Company has sufficient funds to meet the working capital requirements for the 12 months immediately following the date of publication of the Prospectus.
- Except as disclosed in the Prospectus, there are no other mortgages, rights and charges on the Company's properties as of the date of this Prospectus, except as elsewhere in this Prospectus.
- Except as disclosed in the Prospectus with respect to the accumulated losses, there has been no material adverse change in the financial and business situation of the Company during the fiscal years ended 31 December 2013G, 2014G and 2015G, and up to the date of this Prospectus.
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in connection to the issue or sale of any securities since its inception and up to the date of this Prospectus.
- The Company does not own any holdings in contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty or that might significantly affect the assessment of the Company's financial position.

### 6-3 Basis of preparation

#### Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### Basis of Presentation

The Company presents its statements of financial position broadly in order of liquidity. All financial assets and liabilities except for investments and statutory deposits are expected to be recovered and settled respectively within twelve months after the reporting date.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenue and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors.

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

- Transfer to shareholders' operations: 90%
- Transfer to policyholders payable: 10%

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the Saudi Arabian Monetary Agency ("SAMA") Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

### **Basis of measurement**

The Company's financial statements are prepared under the historical cost convention modified to include the measurement of fair value through income statement investment at their fair value.

### **Functional and presentation currency**

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

### **Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in compliance with IFRS 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 period. 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 and 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:

#### **a) 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 prior to 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 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.

#### **b) 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.

#### **c) 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 insurance operations and accumulated surplus 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 write-offs in the statement of insurance operations and accumulated surplus.

#### **d) Reinsurance**

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

### **6-4 Significant accounting policies**

The following are the accounting policies used in the preparation of the Company's financial statements for the year ended 2015G:

#### **Cash and cash equivalents**

For the purpose of the statement of insurance operations and shareholders' cash flows, cash and cash equivalents comprise of bank current accounts and highly liquid investments 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 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 period.

Insurance contracts are principally divided into marine, property, motor, engineering, accident & liability, extended warranty and term life and are principally short term insurance contracts.

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "sum insured" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

## **Reinsurance**

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

## **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 amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;
- 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 reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations and accumulated surplus or shareholders' operations are adjusted.

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 flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

## **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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## **Deferred policy acquisition costs**

Direct and indirect costs incurred during the financial period 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 insurance operations and accumulated surplus.

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 insurance operations and accumulated surplus. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

### **Financial assets at fair value through income statement ("FVIS")**

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Financial assets carried at fair value through income statement' are initially recognized at fair value, and transaction costs are expensed in the statement of shareholder's operations. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are presented in the statement of shareholders' operations within 'investment income' in the period in which they arise. Dividend income from 'financial assets at fair value through income statement' is recognized in the statement of shareholders' operations as part of 'investment income' when the Company's right to receive payments is established.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. The quoted market price used for financial assets held by the Company is the current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

### **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 and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against in the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative cost - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit and loss - is removed from statement of other comprehensive income ("OCI") and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

### **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 carried at cost less accumulated depreciation and impairment, except for capital work in progress which is stated at cost. Depreciation is charged to the statement of shareholders' operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

- Furniture and fixtures: 5 years
- Office equipment: 2 – 3 years
- Motor vehicles: 4 years

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

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

### **Provisions for obligations**

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.

### **Trade and other payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Liabilities are recognized for amounts to be paid for services received, whether or not billed to the Company.

### **Foreign currency translation**

Foreign currency transactions are translated 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 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 rate of monetary assets and liabilities denominated in foreign currencies are included in the statement of insurance operations and accumulated surplus or shareholders' operations.

### **Liability adequacy test**

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

### **Insurance and other receivables**

Insurance and other receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.



## **End-of-service benefits**

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

## **Revenue recognition**

### **a) Recognition of premiums and commission revenue**

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents 25% of the total premiums written during the current financial period.

### **b) Commission income**

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

### **c) 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 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 insurance operations and accumulated surplus for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

## **Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell a (usually damaged) vehicle or a property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

## **De-recognition of financial instruments**

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

## **Offsetting**

Financial assets and 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 insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

## **Leases**

Operating lease payments are recognized as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

## **Zakat and income taxes**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

## **Segment reporting**

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

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

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured's death.

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

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

## **Seasonality of operations**

There are no seasonal changes that affect insurance operations.

## 6-5 Results of operations

The following table presents the Company's statement of insurance operations and accumulated surplus for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 72: Statement of insurance operations and accumulated surplus**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
<b>Revenues</b>					
Gross written premiums	486,843	433,911	518,709	(10.9%)	19.5%
Less: Reinsurance premiums ceded	(238,594)	(267,618)	(284,364)	12.2%	6.3%
<b>Net premiums written</b>	<b>248,249</b>	<b>166,293</b>	<b>234,345</b>	<b>(33.0%)</b>	<b>40.9%</b>
Changes in unearned premiums, net	(10,591)	25,166	(25,443)	(337.6%)	(201.1%)
<b>Net premiums earned</b>	<b>237,658</b>	<b>191,459</b>	<b>208,902</b>	<b>(19.4%)</b>	<b>9.1%</b>
Reinsurance commissions earned	78,822	71,902	68,116	(8.8%)	(5.3%)
Other income	439	210	5,633	(52.2%)	2582.4%
<b>Total revenues</b>	<b>316,919</b>	<b>263,571</b>	<b>282,651</b>	<b>(16.8%)</b>	<b>7.2%</b>
<b>Cost and expenses</b>					
Gross claims paid	297,407	346,907	236,517	16.6%	(31.8%)
Less: Reinsurers' share of gross claims paid	(95,299)	(189,902)	(90,601)	99.3%	(52.3%)
<b>Net claims paid</b>	<b>202,108</b>	<b>157,005</b>	<b>145,916</b>	<b>(22.3%)</b>	<b>(7.1%)</b>
Changes in outstanding claims, net	26,532	(7,509)	29,735	(128.3%)	(496.0%)
<b>Net claims incurred</b>	<b>228,640</b>	<b>149,496</b>	<b>175,651</b>	<b>(34.6%)</b>	<b>17.5%</b>
Policy acquisition costs	77,710	68,652	61,244	(11.7%)	(10.8%)
Premium/(reversal of) deficiency reserve	6,233	(6,233)	-	(200.0%)	(100.0%)
Reinsurance reserves	-	-	3,597	N/A	N/A
General and administrative expenses	36,123	39,243	51,368	8.6%	30.9%
<b>Total costs and expenses</b>	<b>348,706</b>	<b>251,158</b>	<b>291,860</b>	<b>(28.0%)</b>	<b>16.2%</b>
Surplus/(deficit) from insurance operations	(31,787)	12,413	(9,209)	(139.1%)	(174.2%)
Shareholders' appropriation of surplus/(deficit)	31,787	(11,172)	9,209	(135.1%)	(182.4%)
<b>Insurance operations' surplus after shareholders' appropriation</b>	<b>-</b>	<b>1,241</b>	<b>-</b>	<b>N/A</b>	<b>(100.0%)</b>
Accumulated surplus, beginning of the year	1,475	1,475	2,716	-	84.1%
<b>Accumulated surplus, end of the year</b>	<b>1,475</b>	<b>2,716</b>	<b>2,716</b>	<b>84.2%</b>	<b>(0.0%)</b>
<b>Key performance indicators</b>					
Loss ratio: Net claims incurred/Net premiums earned	96.2%	78.1%	84.1%		
Cession ratio: Reinsurance premiums ceded/ Gross written premiums	49.0%	61.7%	54.8%		
Retention ratio: Net premiums written/Gross written premiums	51.0%	38.3%	45.2%		

Source: Audited Financial Statements and Company

## **Gross written premiums**

The Company's gross written premium ("GWP") is mainly driven by corporate clients. Individual clients are predominantly related to the motor line of business in 2013G.

During 2014G, GWP decreased by 10.9% to SAR 433.9 million. This was mainly due to a decline in GWP attributable to the motor line of business which declined by 35.1% from SAR 277.2 million in 2013G to SAR 179.9 million in 2014G. Decline in business from the motor line of business was partially offset by an increase in GWP attributable to the extended warranty line of business which increased by 52.0% from SAR 45.9 million in 2013G to SAR 69.8 million in 2014G.

GWP increased by 19.5% in 2015G to SAR 518.7 million. This increase in gross written premium was mainly because of additional motor business from new and existing customers.

## **Reinsurance premiums ceded**

The Company reinsures its risk according to its risk strategy to mitigate the insurance loss risk. The Company reinsured the premiums written through facultative deals, treaty arrangements as well as excess of loss arrangements.

Reinsurance premiums ceded increased from SAR 238.6 million in 2013G to SAR 267.6 million in 2014G in accordance with the risk mitigation strategy adopted by the Company vis-à-vis each line of business.

Reinsurance premiums also increased by 6.3% to reach 284.4 million in 2015G in line with the increase in GWP during this period.

## **Change in net unearned premium**

Change in net unearned premium relates to the net movement in the unearned portion of premiums written and ceded during the period.

## **Reinsurance commissions earned**

Reinsurance commissions represent the commission income received from reinsurers. The reinsurance commission rate is dependent on the type of reinsurance arrangement and based on the agreement with reinsurers.

Reinsurance commission decreased by 8.8% in 2014G from SAR 78.8 million in 2013G to SAR 71.9 million in 2014G mainly on account of a decline in reinsurance commission related to the extended warranty and motor line of business.

Reinsurance commission decreased by 5.3% in 2015G to reach SAR 68.1 million. This decrease was mainly due to a decrease in reinsurance premiums ceded in the extended warranty line of business. Commission rates attributable to the extended warranty line of business were higher when compared to other lines of business. Therefore, a reduction in extended warranty premiums ceded had an impact on the reinsurance commission income, despite premiums ceded at an overall level being higher.

## **Other income**

Other income in 2013G and 2014G includes income on term deposits. Fluctuation in income from SAR 0.4 million in 2013G to SAR 0.2 million in 2014G was mainly attributed to the variance in income from term deposits maintained by the Company.

Other income in 2015G includes income on term deposits, the company's share of the surplus from Manafeth fund and profit commission. Other income increased to SAR 5.6 million in 2015G driven by profit commission on treaty arrangements amounting SAR 4.1 million and share of surplus from Al Manafeth Third Party Liability Insurance Fund amounting SAR 1.4 million.

## **Gross claims paid**

Gross claims paid increased by 16.6% in 2014G from SAR 297.4 million in 2013G to SAR 346.9 million in 2014G. Increase in gross claims paid was mainly influenced by a high value claim attributed to the property line of business during 2014G.

Gross claims paid decreased by 31.8% in 2015G to reach SAR 236.5 million. This decrease was because of an absence of high value claims under the property line of business.

## **Reinsurers' share of gross claims paid**

Reinsurers' share of gross claims paid increased by 99.3% to reach SAR 189.9 million in 2014G compared to SAR 95.3 million in 2013G. Increase in reinsurers share mainly related to the property line of business in line with total claims paid attributed to this sector.

Reinsurers' share of claims paid decreased by 52.3% in 2015G to reach SAR 90.6 million in 2015G. This decrease was due to an overall decline in claims paid related to the property line of business.

### **Changes in net outstanding claims**

Changes in net outstanding claims mainly relates to the movement in estimated claims and claims incurred but not reported during the period.

### **Policy acquisition costs**

Policy acquisition costs mainly relate to expenses incurred on securing insurance policies and primarily represent commissions paid to sales intermediaries and fees paid to the third party administrator for the extended warranty line of business.

Policy acquisition costs decreased by 11.7% in 2014G from SAR 77.7 million in 2013G to SAR 68.7 million in 2014G in line with the fluctuations in GWP. Policy acquisition costs further decreased by 10.8% in 2015G to reach SAR 61.2 million in 2015G. This decrease was mainly attributable to the decrease in the extended warranty business line and was in line with the decrease in the reinsurance commissions for this line of business.

### **Premium deficiency reserve**

Premium deficiency reserve ("PDR") was created in 2013G and was exclusively attributed to the third party motor liability policies written through one of the Company's agent. Premium deficiency reserve was created by the actuary to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that policies were potentially underpriced. The premium deficiency reserve calculation was based on the prospective assessment of the profitability associated with the unearned premium reserve. PDR relating to the third party motor insurance business was reversed during 2014G as the unearned premiums carried forward were considered adequate to cover future losses.

### **Reinsurance reserves**

The Company recorded reinsurance reserves of SAR 3.6 million during 2015G. These were attributable to the property (SAR 2.5 million) and motor (SAR 1.1 million) business lines and were based on actuarial evaluation.

### **General and administrative expenses**

General and administrative expenses mainly included employee related expenses.

General and administrative expenses increased by 8.6% in 2014G from SAR 36.1 million in 2013G to SAR 39.2 million in 2014G. This was mainly because of an increase in employee related expenses.

During 2015G, general and administrative expenses grew by 30.9% to reach SAR 51.4 million. This was mainly on account of an increase in employee related expenses and an increase in provision attributable to a balance receivable from a reinsurer.

## **6-5-1 Revenue**

Total revenue declined by 16.8% in 2014G from SAR 316.9 million in 2013G to SAR 263.6 million in 2014G. This was due to a decline in the overall GWP and higher percentage of reinsurance premium being ceded under non-motor lines of business. The effect was partially offset by materializing the unearned portion of premiums from third party liability policies sold in 2013G.

Total revenue increased by 7.2% to reach SAR 282.7 million in 2015G. This was mainly due to an increase of 19.5% in GWP and an increase of SAR 5.4 million in other income during 2015G.

## Gross written premiums

The following table presents the GWP for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 73: Gross written premiums**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	33,824	40,655	41,522	20.2%	2.1%
Property	70,648	69,109	83,913	(2.2%)	21.4%
Motor	277,182	179,908	258,165	(35.1%)	43.5%
Engineering	23,912	31,493	42,782	31.7%	35.8%
Accident & liability	19,961	22,099	29,055	10.7%	31.5%
Extended warranty	45,901	69,750	34,062	52.0%	(51.2%)
Term life	15,415	20,897	29,210	35.6%	39.8%
<b>Total gross written premiums</b>	<b>486,843</b>	<b>433,911</b>	<b>518,709</b>	<b>(10.9%)</b>	<b>19.5%</b>
<b>As percentage of total</b>					
Marine	6.9%	9.4%	8.0%		
Property	14.5%	15.9%	16.2%		
Motor	56.9%	41.5%	49.8%		
Engineering	4.9%	7.3%	8.2%		
Accident & liability	4.1%	5.1%	5.6%		
Extended warranty	9.4%	16.1%	6.6%		
Term life	3.2%	4.8%	5.6%		
<b>Total gross written premiums</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Audited Financial Statements and Company

## Marine Insurance

GWP for the marine line of business increased by 20.2% from SAR 33.8 million in 2013G to SAR 40.7 million in 2014G. This increase was due to changes related to a single key account.

GWP for the marine line of business remained largely consistent between 2014G and 2015G.

## Property Insurance

Property is the second largest GWP contributing business segment of the Company and on average contributed 15.5% of the total GWP between 2013G and 2015G.

GWP attributed to the property line of business remained largely consistent between 2013G and 2014G.

GWP for the property business grew by 21.4% in 2015G and reached SAR 83.9 million compared to SAR 69.1 million in 2014G. This was mainly influenced by growth in GWP from existing customers as well as premiums written for various new clients.

## Motor Insurance

Motor is the largest GWP contributing business segment of the Company and on average contributed 49.4% of the total GWP between 2013G and 2015G.

GWP from the motor line of business decreased by 35.1% to SAR 179.9 million in 2014G compared to SAR 277.2 million in 2013G. This decline was mainly because of discontinuation of third party motor liability ("TPL") business through one of the Company's agent, as a result of losses sustained from this business in 2013G.

GWP later grew by 43.5% during 2015G and reached SAR 258.2 million. This growth was mainly due to growth in business

from existing clients as well as policies sold to new clients. One new customer contributed around SAR 27.4 million to the total motor GWP during 2015G.

### Engineering Insurance

GWP for the engineering line of business grew by 31.7% in 2014G, reaching SAR 31.5 million in 2014G compared to SAR 23.9 million in 2013G. Year on year growth mainly resulted from policies sold to new customers.

GWP for the engineering line of business grew further by 35.8% to reach SAR 42.8 million in 2015G. This was mainly attributable to higher volume of business from existing customers as well as policies sold to new clients.

### Accident and liability Insurance

GWP for the accident and liability line of business grew by 10.7% in 2014G to reach SAR 22.1 million compared to SAR 20.0 million in 2013G. This growth was in the ordinary course of business and attributed to business generated from new and existing clients.

GWP further grew by 31.5% in 2015G to reach SAR 29.1 million. This predominantly related to a high value policy (of SAR 4.7 million) sold to a key client of the Company.

### Extended warranty

GWP for the extended warranty line of business grew by 52.0% in 2014G from SAR 45.9 million in 2013G to SAR 69.8 million in 2014G. This growth was mainly attributable to additional business from two key clients of this line of business.

GWP declined by 51.2% in 2015G to reach SAR 34.1 million. This was mainly because of losing two key clients under this line of business.

### Term life Insurance

The Company started the term life line of business during 2013G. GWP for this line of business grew by 35.6% during 2014G to reach SAR 20.9 million compared to SAR 15.4 million in 2013G. This mainly related to an overall growth achieved through selling policies to new customers.

GWP increased by 39.8% in 2015G to reach SAR 29.2 million. This was mainly on account of winning business from new clients during 2015G.

### Reinsurance premiums ceded

The following table presents the reinsurance premiums ceded (including excess of loss) for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 74: Reinsurance premiums ceded**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	28,472	36,231	35,479	27.3%	(2.1%)
Property	65,402	66,852	78,637	2.2%	17.6%
Motor	52,927	33,104	48,914	(37.5%)	47.8%
Engineering	20,164	29,472	40,598	46.2%	37.8%
Accident & liability	13,485	14,902	20,768	10.5%	39.4%
Extended warranty	45,901	69,750	34,062	52.0%	(51.2%)
Term life	12,243	17,307	25,906	41.4%	49.7%
<b>Total reinsurance premiums ceded</b>	<b>238,594</b>	<b>267,618</b>	<b>284,364</b>	<b>12.2%</b>	<b>6.3%</b>
<b>Cession ratio: Reinsurance premiums ceded/Gross written premiums</b>					
Marine	84.2%	89.1%	85.4%		
Property	92.6%	96.7%	93.7%		

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Motor	19.1%	18.4%	18.9%		
Engineering	84.3%	93.6%	94.9%		
Accident & liability	67.6%	67.4%	71.5%		
Extended warranty	100.0%	100.0%	100.0%		
Term life	79.4%	82.8%	88.7%		
<b>Total reinsurance premiums ceded</b>	<b>49.0%</b>	<b>61.7%</b>	<b>54.8%</b>		

Source: Audited Financial Statements and Company

The Company's reinsurance program is a combination of proportional and non-proportional treaties including excess of loss arrangements, complemented by facultative arrangements. The Company manages its reinsurance arrangements through a Reinsurance Strategy.

Reinsurance premiums ceded increased by 12.2% in 2014G from SAR 238.6 million in 2013G to SAR 267.6 million in 2014G. It also increased by 6.3% in 2015G to reach SAR 284.4 million. Increase in reinsurance premiums ceded was mainly on account of growth in GWP and in accordance with the risk mitigation strategy adopted by the Company vis-à-vis each line of business.

### Marine Insurance

Reinsurance premiums ceded in marine line of business increased by 27.3% in 2014G before decreasing by 2.1% in 2015G. Increase in 2014G was largely synonymous with the GWP of this line of business, however the decline during 2015G was mainly due to a decline in cession ratio from 89.1% in 2014G to 85.4% in 2015G. This decline in cession ratio was on account of a decrease in quota share from 85% in 2014G to 80% in 2015G.

### Property Insurance

Reinsurance premiums ceded attributable to the property line of business contributed 27.4%, 25.0% and 27.7% of the total reinsurance premiums ceded during 2013G, 2014G and 2015G. This was due to higher premiums ceded as a percentage of GWP (cession ratio) in this line of business.

### Extended Warranty Insurance

Reinsurance premiums ceded attributable to the extended warranty line of business contributed 19.2%, 26.1% and 12.0% of the total reinsurance premiums ceded during 2013G, 2014G and 2015G. GWP for the extended warranty line of business was 100% ceded in 2013G, 2014G and 2015G. The movement in premiums ceded was directly related to the movement in the GWP for this line of business.

### Motor Insurance

The Company retained the highest percentage of premiums in motor policies therefore the cession ratio was the lowest for the line of business when compared to other lines of business.

Reinsurance premiums ceded decreased by 37.5% in 2014G to reach SAR 33.1 million compared to SAR 52.9 million in 2013G in line with the decrease in GWP.

Reinsurance premiums ceded increased by 47.8% in 2015G to reach SAR 48.9 million. This was largely in line with the growth in motor GWP.

### Engineering Insurance

Cession ratio in the engineering line of business increased from 84.3% in 2013G to 94.9% in 2015G. This increase was mainly influenced by a change in treaty terms attributed to this line of business from surplus to quota share.

### Accident and liability Insurance

Cession ratio under the accident and liability line of business changed marginally between 2013G and 2015G. This was in the ordinary course of insurance business in line with the reinsurance strategy adopted by the Company.



## Term Life Insurance

Reinsurance premiums ceded for term life policies increased from SAR 12.2 million in 2013G to SAR 17.3 million in 2014G. This was largely in line with the growth in GWP during 2014G as the cession ratio between 2013G and 2014G remained largely consistent.

Reinsurance premiums ceded also increased to SAR 25.9 million in 2015G. Besides an overall increase in GWP during 2015G, reinsurance premiums ceded increased during this period on account of a material policies with a key client where the cession rate was around 95%. This pushed up the cession rate for this line of business as a whole.

## Net premiums written

The following table presents the net premiums written for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 75: Net premiums written**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	5,352	4,424	6,043	(17.3%)	36.6%
Property	5,246	2,257	5,276	(57.0%)	133.8%
Motor	224,255	146,804	209,251	(34.5%)	42.5%
Engineering	3,748	2,021	2,184	(46.1%)	8.1%
Accident & liability	6,476	7,197	8,287	11.1%	15.1%
Extended warranty	-	-	-	N/A	N/A
Term life	3,172	3,590	3,304	13.2%	(8.0%)
<b>Total net premiums written</b>	<b>248,249</b>	<b>166,293</b>	<b>234,345</b>	<b>(33.0%)</b>	<b>40.9%</b>
<b>Retention Ratio: Net premiums written/Gross written premiums</b>					
Marine	15.8%	10.9%	14.6%		
Property	7.4%	3.3%	6.3%		
Motor	80.9%	81.6%	81.1%		
Engineering	15.7%	6.4%	5.1%		
Accident & liability	32.4%	32.6%	28.5%		
Extended warranty	0.0%	0.0%	0.0%		
Term life	20.6%	17.2%	11.3%		
<b>Total net premiums written</b>	<b>51.0%</b>	<b>38.3%</b>	<b>45.2%</b>		

Source: Audited Financial Statements and Company

The variance in the overall net written premium was largely dependent on the motor segment, as motor had the highest retention ratio amongst all lines of business.

Net written premiums decreased by 33.0% in 2014G to SAR 166.3 million compared to SAR 248.2 million in 2013G. This year on year decrease was mainly due to a decrease in third party motor premiums sold through one of the Company's agent during 2013G. This was discontinued in November 2013G.

Net written premiums increased by 40.9% in 2015G to reach SAR 234.3 million. This was predominantly on account of an overall increase in business from all lines of business except term life. Decline in net written premiums in the term life was due to higher cessation ratio during 2015G mainly on account of material policies with a key client.

## Changes in unearned premiums

Changes in unearned premiums represents the difference in premiums written (recorded) and premiums earned during each year. These relate to the net movement in the unearned portion of premiums written and ceded during a year.

## Net premiums earned

The following table presents the net premiums earned for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 76: Net premiums earned**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	6,065	4,710	6,093	(22.3%)	29.4%
Property	3,598	2,523	5,036	(29.9%)	99.6%
Motor	218,099	172,168	182,913	(21.1%)	6.2%
Engineering	1,412	1,916	3,391	35.7%	77.0%
Accident & liability	6,256	6,607	8,270	5.6%	25.2%
Extended warranty	-	-	-	N/A	N/A
Term life	2,228	3,535	3,199	58.7%	(9.5%)
<b>Total net premiums earned</b>	<b>237,658</b>	<b>191,459</b>	<b>208,902</b>	<b>(19.4%)</b>	<b>9.1%</b>
<b>As percentage of total</b>					
Marine	2.6%	2.5%	2.9%		
Property	1.5%	1.3%	2.4%		
Motor	91.8%	89.9%	87.6%		
Engineering	0.6%	1.0%	1.6%		
Accident & liability	2.6%	3.5%	4.0%		
Extended warranty	0.0%	0.0%	0.0%		
Term life	0.9%	1.8%	1.5%		
<b>Total net premiums earned</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Audited Financial Statements and Company

Net premiums earned were mainly contributed by the motor line of business as non-motor lines of business were largely ceded between 2013G and 2015G. The motor segment contributed 91.8%, 89.9% and 87.6% to the total net premiums in 2013G, 2014G and 2015G, respectively.

Net earned premiums declined by 19.4% in 2014G, decreasing from SAR 237.7 million in 2013G to SAR 191.5 million in 2014G. This was predominantly associated with the discontinuation of sales of TPL policies through one of the Company's agent due to losses incurred from this business in 2013G.

Net premiums earned increased by 9.1% during 2015G to reach SAR 208.9 million. This increase was attributable to an overall increase in business from all lines of business except term life. The Company continues to maintain its strategy of 100% cession ratio in Extended Warranty business line, hence there was no net earned premium from this segment.

## Reinsurance commission earned

The following table presents the reinsurance commission earned for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 77: Reinsurance commission earned**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	8,815	9,473	10,192	7.5%	7.6%
Property	14,330	12,686	13,782	(11.5%)	8.6%
Motor	9,355	5,612	6,933	(40.0%)	23.5%
Engineering	4,831	6,106	7,842	26.4%	28.4%
Accident & liability	3,325	3,488	3,743	4.9%	7.3%
Extended warranty	36,419	29,898	17,368	(17.9%)	(41.9%)
Term life	1,747	4,639	8,256	165.5%	78.0%
<b>Total reinsurance commission income</b>	<b>78,822</b>	<b>71,902</b>	<b>68,116</b>	<b>(8.8%)</b>	<b>(5.3%)</b>
<b>As percentage of total</b>					
Marine	11.2%	13.2%	15.0%		
Property	18.2%	17.6%	20.2%		
Motor	11.9%	7.8%	10.2%		
Engineering	6.1%	8.5%	11.5%		
Accident & liability	4.2%	4.9%	5.5%		
Extended warranty	46.2%	41.6%	25.5%		
Term life	2.2%	6.5%	12.1%		
<b>Total reinsurance commission income</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Audited Financial Statements and Company

Reinsurance commission income represents the commission earned from reinsurers. The average reinsurance commission income is based on agreed reinsurance commission rates with individual reinsurers.

Reinsurance commission income from the property and extended warranty lines of business contributed 64.4%, 59.2% and 45.7% towards total reinsurance commission income on a combined basis during 2013G, 2014G and 2015G, respectively. This was mainly due to high cession ratios associated with these lines of business. GWP for the extended warranty line of business was 100% ceded to reinsurers. Moreover, the Company was able to negotiate high reinsurance commission rates with the reinsurers in the extended warranty segment.

Reinsurance commission income decreased by 8.8% in 2014G reaching SAR 71.9 million compared to SAR 78.8 million in 2013G. This was mainly influenced by a 17.9% decline in reinsurance commission income from the extended warranty line of business. Decrease in reinsurance commission from the extended warranty line of business in 2014G mainly resulted from changes in the policy periods which range from 12 months to 36 months. Decline in reinsurance commission income from the property and motor line of business during 2014G was mainly associated with a decline in related reinsurance premiums ceded during this year.

Reinsurance commission income decreased by 5.3% in 2015G, to reach SAR 68.1 million in 2015G. This decline was primarily due to a 41.9% decline in reinsurance commissions income from the extended warranty line of business. This decline in income was mainly due to an overall decline in GWP and the resultant premiums ceded during 2015G.

## Other income

The following table presents the other income for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 78: Other income**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Term deposits income	439	210	212	(52.2%)	1.0%
Share of surplus from Manafeth	-	-	1,362	N/A	N/A
Profit commission	-	-	4,059	N/A	N/A
<b>Total Other income</b>	<b>439</b>	<b>210</b>	<b>5,633</b>	<b>(52.2%)</b>	<b>2582.4%</b>

Source: Audited Financial Statements and Company

Other income includes income on term deposits, income under the Manafeth agreement and profit commission.

Income on term deposits were mainly generated on cash deposits maintained by the Company with an approved financial institution. Term deposit income decreased to SAR 0.2 million in 2014G compared to SAR 0.4 million in 2013G. This was because of decline in average balance of term deposits and a decline in commission rates during 2014G. Term deposit income remained largely consistent between 2014G and 2015G.

Manafeth income during 2015G was mainly attributable to the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance Fund (the Fund). The Company with 24 other insurance companies operating in the Kingdom of Saudi Arabia, have entered into an agreement with the Company for Cooperative Insurance (Tawuniya) effective from 1st January 2015 for three years, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except the Kingdom of Bahrain. As per the agreement Tawuniya will receive 4.25% of the Fund's gross written premiums to cover the related indirect expenses along with 15% management fee of the net results of the Fund's portfolio. The remaining results after the aforesaid distribution is due to be shared equally by Tawuniya and the 25 insurance companies including the Company.

Profit commission of SAR 4.1 million in 2015G represents the Company's share of profits earned by the reinsurers under proportional treaties. Profit commission rates are agreed in respective treaty agreements and are subject to the profitability recorded by the reinsurers during each year. The profit commission in 2015G is mainly attributed to treaty arrangements in marine, property, engineering and accident & liability lines of business.

## 6-5-2 Costs and expenses

Costs and expenses comprise claims incurred, policy acquisition costs and general and administrative expenses.

Total cost and expenses declined by 28.0% in 2014G reaching SAR 251.2 million compared to SAR 348.7 million in 2013G.. This decline was mainly associated with an overall decline in claims paid during respective periods particularly in the motor and property lines of business.

Total costs and expenses increased by 16.2% in 2015G to reach SAR 291.9 million. This was mainly due to an increase in net claims incurred and general and administrative expenses by 17.5% and 30.9%, respectively.

## Gross claims paid

The following table presents the gross claims paid for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 79: Gross claims paid**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	9,121	14,939	11,120	63.8%	(25.6%)
Property	28,817	129,905	24,437	350.8%	(81.2%)
Motor	247,939	182,773	169,634	(26.3%)	(7.2%)
Engineering	9,101	9,695	14,396	6.5%	48.5%
Accident & liability	1,257	3,065	7,793	143.8%	154.3%

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Extended warranty	-	-	-	N/A	N/A
Term life	1,172	6,530	9,137	457.2%	39.9%
<b>Total Gross claims paid</b>	<b>297,407</b>	<b>346,907</b>	<b>236,517</b>	<b>16.6%</b>	<b>(31.8%)</b>
<b>As percentage of gross written premiums</b>					
Marine	27.0%	36.7%	26.8%		
Property	40.8%	188.0%	29.1%		
Motor	89.4%	101.6%	65.7%		
Engineering	38.1%	30.8%	33.6%		
Accident & liability	6.3%	13.9%	26.8%		
Extended warranty	-	-	-		
Term life	7.6%	31.2%	31.3%		
<b>Total Gross claims paid</b>	<b>61.1%</b>	<b>79.9%</b>	<b>45.6%</b>		

Source: Audited Financial Statements and Company

Gross claims paid increased by 16.6% in 2014G reaching SAR 346.9 million compared to SAR 297.4 million in 2013G. This increase was predominantly associated with an increase of 350.8% from SAR 28.8 million in 2013G to SAR 129.9 in 2014G in claims reported attributable to the property line of business particularly on account of a fire claim by one client. This claim amounted to around SAR 100.0 million. This increase in Gross claims was offset by the decline of 26.3% in the Gross claims paid in the motor segment. Gross claims paid attributable to the marine line of business increased by 63.8% during 2014G. This was due to relatively larger number of high value claims reported from certain key clients of the Company. Gross claims paid attributable to the accident & liability line of business increased by 143.8% from SAR 1.3 million in 2013G to SAR 3.1 million in 2014G. This increase was in the ordinary course of business and was synonymous to the overall growth in GWP.

Gross claims paid declined by 31.8% in 2015G to reach SAR 236.5 million. This decline mainly related to a decrease of 81.2% in property; 7.2% in motor; and 25.6% in marine lines of business. Gross claims paid attributable to the accident and liability line of business increased by 154.3% in 2015G reaching SAR 7.8 million compared to SAR 3.1 million in 2014G. This was mainly on account of a material claim of around SAR 6.0 million from a key client. Gross claims paid attributable to engineering line of business increased by 48.5% in 2015G to reach SAR 14.4 million compared to SAR 9.7 million in 2014G. This was mainly on account of material claims from a certain key client.

### Reinsurers' share of gross claims paid

The following table presents the reinsurers' share of gross claims paid for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 80: Reinsurers' share of gross claims paid**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	7,353	12,935	9,484	75.9%	(26.7%)
Property	27,960	128,509	24,074	359.6%	(81.3%)
Motor	49,968	32,554	30,513	(34.9%)	(6.3%)
Engineering	8,316	7,881	13,555	(5.2%)	72.0%
Accident & liability	667	2,096	5,130	214.2%	144.8%
Extended warranty	-	-	-	N/A	N/A
Term life	1,035	5,927	7,845	472.7%	32.4%
<b>Total Reinsurers' share of gross claims paid</b>	<b>95,299</b>	<b>189,902</b>	<b>90,601</b>	<b>99.3%</b>	<b>(52.3%)</b>

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
<b>As percentage of gross claims paid</b>					
Marine	80.6%	86.6%	85.3%		
Property	97.0%	98.9%	98.5%		
Motor	20.2%	17.8%	18.0%		
Engineering	91.4%	81.3%	94.2%		
Accident & liability	53.1%	68.4%	65.8%		
Extended warranty	N/A	N/A	N/A		
Term life	88.3%	90.8%	85.9%		
<b>Total Reinsurers' share of gross claims paid</b>	<b>32.0%</b>	<b>54.7%</b>	<b>38.3%</b>		

Source: Audited Financial Statements and Company

Reinsurers' share of gross claims paid is determined by the reinsurance arrangement vis-à-vis each line of business.

Reinsurers' share of gross claims paid as a percentage of gross claims paid increased from 32.0% in 2013G to 54.7% in 2014G. This was mainly on account of the aforementioned fire claim (amounting SAR 100.0 million) from a property segment client, premiums from whom were largely ceded.

Reinsurers' share of gross claims paid as a percentage of gross claims paid declined to 38.3% in 2015G. This was predominantly due to an overall decline in gross claims paid attributable to the property line of business.

### **Net claims paid**

The following table presents the net claims paid for the financial years ended 31 December, 2013G, 2014G and 2015G.

**Table 81: Net claims paid**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	1,768	2,004	1,636	13.3%	(18.4%)
Property	857	1,396	363	62.9%	(74.0%)
Motor	197,971	150,219	139,121	(24.1%)	(7.4%)
Engineering	785	1,814	841	131.1%	(53.6%)
Accident & liability	590	969	2,663	64.2%	174.8%
Extended warranty	-	-	-	N/A	N/A
Term life	137	603	1,292	340.1%	114.3%
<b>Total Net claims paid</b>	<b>202,108</b>	<b>157,005</b>	<b>145,916</b>	<b>(22.3%)</b>	<b>(7.1%)</b>
<b>As percentage of gross claims paid</b>					
Marine	19.4%	13.4%	14.7%		
Property	3.0%	1.1%	1.5%		
Motor	79.8%	82.2%	82.0%		
Engineering	8.6%	18.7%	5.8%		
Accident & liability	46.9%	31.6%	34.2%		
Extended warranty	N/A	N/A	N/A		
Term life	11.7%	9.2%	14.1%		
<b>Total Net claims paid</b>	<b>68.0%</b>	<b>45.3%</b>	<b>61.7%</b>		

Source: Audited Financial Statements and Company

Changes in the net claims paid reflect the combined effect of trends in gross claims paid and reinsurers' share of claims paid.

Net claims paid declined by 22.3% in 2014G, from SAR 202.1 million in 2013G to SAR 157.0 million in 2014G. This was mainly due to a decline in claims from third party motor liability policies, where claim risk was largely retained by the Company.

Net claims paid declined by 7.1% in 2015G, to reach SAR 145.9 million. This decline was mainly on account of a further decline in claims from third party motor liability policies.

### Changes in outstanding claims

Changes in outstanding claims represent the change in net reported but unsettled claims as well as net claims incurred but not reported (IBNR).

Net change in outstanding claims decreased net claims paid by SAR 7.5 million in 2014G. This was mainly on account of decline in IBNR reserve calculated by the actuary.

Net change in outstanding claims increased net claims paid by SAR 29.7 million in 2015G. This was mainly on account of an increase in IBNR reserve calculated by the actuary.

### Net claims incurred

The following table presents the net claims incurred for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 82: Net claims incurred**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	730	1,725	1,876	136.3%	8.8%
Property	737	563	2,653	(23.6%)	371.2%
Motor	225,412	143,765	163,073	(36.2%)	13.4%
Engineering	1,242	1,486	1,019	19.6%	(31.4%)
Accident & liability	186	1,288	4,410	592.5%	242.4%
Extended warranty	-	-	-	N/A	N/A
Term life	333	669	2,620	100.9%	291.6%
<b>Total net claims incurred</b>	<b>228,640</b>	<b>149,496</b>	<b>175,651</b>	<b>(34.6%)</b>	<b>17.5%</b>
<b>Loss ratio: Net claims incurred/Net Premiums earned</b>					
Marine	12.0%	36.6%	30.8%		
Property	20.5%	22.3%	52.7%		
Motor	103.4%	83.5%	89.2%		
Engineering	88.0%	77.6%	30.1%		
Accident & liability	3.0%	19.5%	53.3%		
Extended warranty	N/A	N/A	N/A		
Term life	14.9%	18.9%	81.9%		
<b>Total net claims incurred</b>	<b>96.2%</b>	<b>78.1%</b>	<b>84.1%</b>		

Source: Audited Financial Statements and Company

Net claims incurred declined by 34.6% in 2014G reaching SAR 149.5 million compared to SAR 228.6 million. This decline was mainly associated with a decline in net claims paid attributable to the motor line of business due to an overall decline in TPL motor claims.

Net loss ratio of insurance operations, overall, improved to 78.1% in 2014G compared to 96.2% in 2013G. This was mainly on account of the motor line of business as the Company discontinued sales of loss making TPL policies through one of the Company's agent. Net loss ratio of the marine line of business increased to 36.6% in 2014G. This was mainly because there was no excess of loss adjustment during 2014G relating to the claim reversal as recorded in 2013G. Net loss ratio of the accident & liability line of business also normalized during 2014G, following an increase in the IBNR reserve calculated by the actuary.

Net loss ratio of insurance operations, overall, increased to 84.1% in 2015G. This was mainly influenced by an increase in net loss ratio associated with the motor line of business. Net loss ratio of the motor line of business increased due to continued TPL motor claims and an increase in the IBNR reserve calculated by the actuary. Net loss ratio of property line of business increased from 22.3% in 2014G to 52.7% in 2015G mainly due to a material claim of SAR 14.5 million from a key client where the Company's share of the claim amounted to SAR 1.5 million. In addition, increase in net loss ratio during 2015G was attributable to an increase in the additional catastrophe reserve by SAR 0.5 million. On the other hand, net loss ratio of the engineering line of business improved from 77.6% in 2014G to 30.1% in 2015G. This improvement was on account of partial reversal of the additional unexpired risk reserve in 2015G (from SAR 2.5 million as at 31 December 2014G to SAR 0.9 million as at 31 December 2015G) in line with the actuary's calculation.

### **Policy acquisition costs**

The following table presents the policy acquisition costs for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 83: Policy acquisition costs**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	4,688	4,933	5,325	5.2%	7.9%
Property	8,259	7,802	7,872	(5.5%)	0.9%
Motor	28,503	22,413	22,532	(21.4%)	0.5%
Engineering	2,855	3,628	4,440	27.1%	22.4%
Accident & liability	2,309	2,475	2,993	7.2%	20.9%
Extended warranty	29,666	24,644	14,450	(16.9%)	(41.4%)
Term life	1,430	2,757	3,632	92.8%	31.7%
<b>Total policy acquisition cost</b>	<b>77,710</b>	<b>68,652</b>	<b>61,244</b>	<b>(11.7%)</b>	<b>(10.8%)</b>
<b>As a percentage of total</b>					
Marine	6.0%	7.2%	8.7%		
Property	10.6%	11.4%	12.9%		
Motor	36.7%	32.6%	36.8%		
Engineering	3.7%	5.3%	7.2%		
Accident & liability	3.0%	3.6%	4.9%		
Extended warranty	38.2%	35.9%	23.6%		
Term life	1.8%	4.0%	5.9%		
<b>Total policy acquisition cost</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Audited Financial Statements and Company

Policy acquisition costs mainly relate to expenses incurred on securing insurance policies and primarily represent commissions paid to sales intermediaries and fees paid to the third party administrator for the extended warranty line of business.

Increase and decrease in the policy acquisition costs are mainly on account of movements in gross written premiums. Policy acquisition costs also tend to fluctuate due to deferring commissions paid but not associated with a particular period.

Policy acquisition cost declined by 11.7% in 2014G reaching SAR 68.7 million compared to SAR 77.7 million in 2013G. This was mainly due to an overall decline in gross written premium during 2014G.

Policy acquisition cost further decreased by 10.8% in 2015G reaching SAR 61.2 million. This was mainly because of a decline in policy acquisition costs associated with the extended warranty line of business due to a decline in the GWP associated with this line of business.

Policy acquisition cost associated with the extended warranty line of business were higher when compared to other lines of business between 2013G and 2015G. This was because policy acquisition costs associated with the extended warranty



line of business included a third party administrator's fee paid to an agent, which was considerably higher compared to other lines of business. The third party administrator's fee is based on the commission rate agreed between the Company and the agent.

### **Premium deficiency reserve**

Premium deficiency reserve ("PDR") was created in 2013G and was exclusively attributed to the third party motor liability policies written through one of the Company's agent. Premium deficiency reserve was created by the actuary to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that policies were potentially underpriced. The premium deficiency reserve calculation was based on the prospective assessment of the profitability associated with the unearned premium reserve.

PDR relating to the third party motor insurance policies sold through one of the Company's agent was reversed during 2014G as the unearned premiums carried forward were considered adequate to cover future losses. Hence, this reserve was no longer required. All claims since 2014G and beyond were expected to be covered through the IBNR reserve.

### **Reinsurance reserves**

Company recorded reinsurance reserves of SAR 3.6 million during 2015G. These were attributable to the property (SAR 2.5 million) and motor (SAR 1.1 million) lines of business.

Reinsurance reserve for motor line of business was recorded since according to the Company's motor treaty arrangement, it is stipulated that the agreed commission rate of 17.5% shall reduce to 15.0% in the event that the loss ratio exceeded 75.0%. Since the Company's actuary believes that the Company's loss ratio on the motor insurance business may be higher than 75%, a reinsurance reserve representing 2.5% of treaty reinsurance premiums was created in 2015G.

Reinsurance reserve for the property business line was mainly attributable to the treaty based reinsurance arrangement, whereby the commission rate shall reduce from 25.0% to 20.0% in the event that the loss ratio exceeded 77.5%. Since the Company's actuary believes that the loss ratio may be higher than 77.5%, a reinsurance reserve representing 5.0% of treaty based property reinsurance premiums of 2014G and 2015G was created in 2015G.

### **General and administrative expenses**

The following table presents the general and administrative expenses for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 84: General and administrative expenses**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Employee costs	21,796	25,669	30,566	17.8%	19.1%
Provision (reversal) for doubtful receivables	(331)	1,574	3,412	(575.5%)	116.8%
Provision for doubtful reinsurance receivables	-	950	3,969	-	317.8%
Office expenses	2,400	2,922	2,941	21.8%	0.7%
Legal and professional fees	1,078	1,780	1,663	65.1%	-6.6%
Regulatory fees	1,965	1,713	2,207	(12.8%)	28.8%
Directors' expenses	60	59	64	(1.7%)	8.5%
Provision for withholding tax	5,763	1,853	2,259	(67.8%)	21.9%
Other	3,392	2,723	4,287	(19.7%)	57.4%
<b>Total General and administrative expenses</b>	<b>36,123</b>	<b>39,243</b>	<b>51,368</b>	<b>8.6%</b>	<b>30.9%</b>
<b>As a percentage of total</b>					
Employee costs	60.3%	65.4%	59.5%		
Provision (reversal) for doubtful receivables	(0.9%)	4.0%	6.6%		
Provision for doubtful reinsurance receivables	0.0%	2.4%	7.7%		

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Office expenses	6.6%	7.4%	5.7%		
Legal and professional fees	3.0%	4.5%	3.2%		
Regulatory fees	5.4%	4.4%	4.3%		
Directors' expenses	0.2%	0.2%	0.1%		
Provision for withholding tax	16.0%	4.7%	4.4%		
Other	9.4%	6.9%	8.3%		
<b>Total General and administrative expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Audited Financial Statements and Company

General and administrative expenses primarily included employee costs, which comprised 60.3%, 65.4% and 59.5% of the total general and administrative expenses in 2013G, 2014G and 2015G, respectively.

Employee costs mainly comprise basic salary, housing and transportation allowance, bonus, medical insurance, end of service benefits and GOSI contributions, etc. Employee costs increased by 17.8% and 19.1% in 2014G and 2015G, respectively. These year on year increases in employee costs were mainly due to an overall increase in staff head count and an increase in salaries and bonus pay scales. Moreover, certain vacant positions were also filled during 2014G and 2015G, including Head of Human Capital, Head of IT and Internal Audit Coordinator.

Provision for doubtful receivables represent the change in the impairment of past due premiums receivable. The Company classifies balances as 'past due and impaired' based on the guidelines given by SAMA. A reversal of SAR 0.3 million attributable to provisions for doubtful receivables was made during 2013G. This was due to a decline in long outstanding receivable balances at 31 December 2013G. Provision for doubtful receivable expenses increased to SAR 1.6 million in 2014G and SAR 3.4 million in 2015G. These were due to an overall increase in long outstanding receivables (past due for over 180 days).

Provision for doubtful reinsurance receivables was mainly attributable to a 100% provision against balance receivable from one of the reinsurer's of the Company that is in a financial crisis. Moreover, the Company also estimated a provision for doubtful reinsurance receivables as required by SAMA Implementing Regulations, based on which the Company is required to maintain a doubtful debt reserve of 10.0% of the total amount due from reinsurers outstanding for 180 – 360 days.

Office expenses represent office rental expenses, utility costs, and maintenance & cleaning charges. Office expenses increased by 21.8% in 2014G reaching SAR 2.9 million compared to SAR 2.4 million in 2013G. This was mainly on account of an increase in annual head office rent (by around SAR 0.1 million) and an increase in electricity expenses. Electricity expenses were not charged by the landlords of the property in the past. Since 2014G, the landlords started charging the Company 9% of the total electricity expenses attributable to the Juffali building (where Company's head office is located). Office expenses remained largely consistent between 2014G and 2015G.

Legal and professional fees predominantly related to audit, rating agency, legal advisor and actuary fee. These increased by 65.1% in 2014G reaching SAR 1.8 million compared to SAR 1.1 million in 2013G mainly on account of an increase in audit fees, actuary fees, Standard and Poor's fees and fees relating to special assignments undertaken by the Company's actuary upon SAMA's request. Legal and professional fees remained largely consistent between 2014G and 2015G.

Regulatory fees mainly represent charges paid to SAMA. These charges are paid based on GWP (less local reinsurance cessions) during each year. Therefore, fluctuation in regulatory fees are directly linked to fluctuations in GWP.

Provision for withholding tax was mainly attributable to the withholding tax provisions made by the Company for payments to reinsurance agents. Increase and decrease in this expense is entirely dependent on the share of foreign reinsurers in the total reinsurance premiums ceded.

Other expenses mainly related to IT expenses, pre-risk survey costs, travel costs, etc. These are presented net of policy fee income from agents. Other expenses decreased from SAR 3.4 million in 2013G to SAR 2.7 million in 2014G. This was mainly on account of a decline in ex-senior managers expenses.

Other expenses increased to SAR 4.3 million in 2015G. This was due to an increase in fees paid to loss adjustors for pre risk surveys due to an increase in business from property and engineering lines of business. Also, there was an increase in office supplies and refurbishment cost (incurred due to an increase in headcount).

### 6-5-3 Shareholders' appropriation of surplus from insurance operations

#### Net surplus/ (deficit) from insurance operations

The following table presents the net surplus/ (deficit) from insurance operations and shareholders' absorption for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 85: Net surplus/ (deficit) from insurance operations**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	9,462	7,525	9,084	(20.5%)	20.7%
Property	8,932	6,844	5,842	(23.4%)	(14.6%)
Motor	(32,694)	17,835	3,095	(154.6%)	(82.6%)
Engineering	2,146	2,908	5,774	35.5%	98.6%
Accident & liability	7,086	6,332	4,610	(10.6%)	(27.2%)
Extended warranty	6,753	5,254	2,918	(22.2%)	(44.5%)
Term life	2,212	4,748	5,203	114.6%	9.6%
Other income	439	210	5,633	(52.2%)	2582.4%
General and administrative expenses	(36,123)	(39,243)	(51,368)	8.6%	30.9%
<b>Net surplus/ (deficit) from insurance operations</b>	<b>(31,787)</b>	<b>12,413</b>	<b>(9,209)</b>	<b>(139.1%)</b>	<b>(174.2%)</b>

Source: Audited Financial Statements and Company

The Company recorded a surplus of SAR 12.4 million in 2014G. This was mainly on account of the Company recording a surplus of SAR 17.8 million on the motor line of business in 2014G compared to a deficit of SAR 32.7 million in 2013G. This was predominantly due to the Company discontinuing sales of TPL policies through one of the Company's agent, as well as an overall decline in TPL claims reported compared to prior year. However, there was a decline in net surplus on non-motor lines of business particularly, property (by 23.4%), extended warranty (by 22.2%), marine (by 20.5%) and accident & liability (by 10.6%). This was mainly on account of high value claims reported in these lines of business and a change in the risk profile adopted by the Company vis-à-vis respective line of business.

Company recorded a deficit of SAR 9.2 million in 2015G. This was mainly on account of lower surplus results from motor, extended warranty and accident and liability lines of business; alongside a general increase in general and administrative expenses. The effect of lower surplus from these business lines results from relatively higher value claims reported in motor and accident and liability segments; and a general decrease in GWP associated with the extended warranty segment.

The following table presents the net deficit from one of the Company's agent (that sold third party motor liability insurance) for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 86: Net deficit from one of the Company's agent business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Net earned premiums	130,892	46,574	-	(64.4%)	(100.0%)
Net claims incurred	(148,474)	(62,439)	(11,873)	(57.9%)	(81.0%)
Other associated net (expenses)/income	(33,465)	11,362	(3,916)	(134.0%)	(134.5%)
<b>Net results from one of the Company's agent</b>	<b>(51,047)</b>	<b>(4,503)</b>	<b>(15,789)</b>	<b>(91.2%)</b>	<b>250.6%</b>

Source: Company

The Company recorded a net deficit of SAR 51.0 million from TPL policies sold through one of the Company's agent in 2013G. GWP recorded on policies sold through this sales intermediary amounted to SAR 153.0 million during 2013G with a resulting net earned premium of SAR 130.9 million. Net claims incurred amounted to SAR 148.5 million during 2013G. This was due to a large number of claims reported from these TPL policies during the year. This resulted in the net deficit reported during 2013G. Other associated net expenses/ income represent policy acquisition costs including commission expenses net of reinsurance commission income, premium deficiency reserve, and other allocated expenses including withholding tax, SAMA fee and IBNR adjustments.

TPL policy sales through this agent of the Company was discontinued in November 2013G. Net earned premiums recorded in 2014G relate to the unearned portion of the policies sold in 2013G. A net deficit of SAR 4.5 million was recorded on this business in 2014G. This was mainly on account of a high number of claims reported when compared to the net earned premium for the year. Other associated income in 2014G was mainly on account of reversing the premium deficiency reserve (SAR 6.2 million) recorded against premiums from this business in earlier years.

Net deficit from TPL policies increased to SAR 15.8 million in 2015G. This was mainly on account of claims reported during 2015G, alongside an increase in the IBNR associated with this business.

Claimant's can file claims even after the expiration of associated insurance policy, provided the accident occurred within the policy term. There is no time limit on filing claims in KSA. Therefore, claims were incurred from these TPL policies during 2014G and 2015G, despite the Company no longer underwriting such policies since November 2013G.

### Shareholders' appropriation of surplus from insurance operations

In accordance with the Implementing Regulations For Co-operative Insurance Companies issued by SAMA, 90% of the insurance operation's surplus is appropriated to shareholders' income.

## 6-6 Statement of shareholders' operations

The following table presents the statement of shareholders' operations for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 87: Statement of shareholders' operations**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Shareholders' share of surplus / (deficit) from insurance operations	(31,787)	11,172	(9,209)	(135.1%)	(182.4%)
General and administrative expenses	(3,204)	(2,435)	(3,213)	(24.0%)	32.0%
Investment income	1,469	1,814	896	23.5%	(50.6%)
Other income	225	999	664	344.0%	(33.5%)
<b>Net income/(loss) for the year</b>	<b>(33,297)</b>	<b>11,550</b>	<b>(10,862)</b>	<b>(134.7%)</b>	<b>(194.0%)</b>
Provision for zakat and income tax	(1,182)	(2,363)	(1,695)	99.9%	(28.3%)
<b>Shareholders' net income/(loss) for the year</b>	<b>(34,479)</b>	<b>9,187</b>	<b>(12,557)</b>	<b>(126.6%)</b>	<b>(236.7%)</b>
Income tax recovered from foreign shareholders	615	904	-	47.0%	(100.0%)
<b>Total comprehensive income for the year</b>	<b>(33,864)</b>	<b>10,091</b>	<b>(12,557)</b>	<b>(129.8%)</b>	<b>(224.4%)</b>

Source: Audited Financial Statements and Company

General and administration expenses mainly represented depreciation charges, other expenses (including gains and losses on sale of property and equipment and exchange rate fluctuations) and directors' fees and expenses. General and administration expenses decreased by 24.0%, to SAR 2.4 million in 2014G compared to SAR 3.2 million in 2013G. This was mainly attributable to a decline in directors' expenses on account of the Directors that waived their rights in receiving the fees for the year. General and administrative expenses increased by 32.0% during 2015G to reach SAR 3.2 million. This was mainly on account of an increase in directors' expenses, given these were waived during 2014G.

Investment income represents all the investments made by the Company in FVIS portfolios managed by approved investment managers. Increase in investment income to SAR 1.8 million in 2014G was in the ordinary course of business. Investment income decreased by 50.6% during 2015G to reach SAR 0.9 million. This was mainly on account of a decline in mark to market earnings on investments held through investment managers appointed by the Company.

Other income was mainly attributable to income from fixed asset financing and dividend income from Najm for Insurance Services ("Najm"). Income from fixed asset financing was mainly attributable to a one off income received from a financial institution. The Company and a recognized financial institution were in talks of setting up a bancassurance arrangement a few years ago. However, the Company's IT system required an upgrade to meet demands under this arrangement. The Company incurred this capital expenditure and recognized the asset under its property and equipment. However, the Company also requested the respective financial institution to reimburse them for the cost of this upgrade. The financial institution agreed to pay the Company SAR 0.5 million against the cost of the upgrade. The Company, in view of the matching concept, deferred and recognized this income in line with the depreciation charge associated with the capitalized asset as income from fixed asset financing under other income.

Other income increased from SAR 0.2 million in 2013G to SAR 1.0 million in 2014G. This increase is mainly related to a rebate received from Najm, as a result of the income made by Najm during the historical period.

Other income decreased to SAR 0.7 million in 2015G. This was mainly due to majority of the income from fixed asset financing already being amortized and recognized in prior years.

## 6-7 Balance sheet

The following table presents the summary of the balance sheet as at 31 December 2013G, 2014G and 2015G.

**Table 88: Balance sheet**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Total insurance operations' assets	605,450	479,784	583,304	(20.8%)	21.6%
Total shareholders' assets	91,329	92,901	94,869	1.7%	2.1%
<b>Total assets</b>	<b>696,779</b>	<b>572,685</b>	<b>678,173</b>	<b>(17.8%)</b>	<b>18.4%</b>
Total insurance operations' liabilities	603,975	477,068	580,588	(21.0%)	21.7%
Insurance operation surplus	1,475	2,716	2,716	84.1%	0.0%
<b>Total insurance operations' liabilities and surplus</b>	<b>605,450</b>	<b>479,784</b>	<b>583,304</b>	<b>(20.8%)</b>	<b>21.6%</b>
Total shareholders liabilities	33,285	24,766	39,291	(25.6%)	58.6%
Total shareholders' equity	58,044	68,135	55,578	17.4%	(18.4%)
<b>Total shareholders' liabilities and equity</b>	<b>91,329</b>	<b>92,901</b>	<b>94,869</b>	<b>1.7%</b>	<b>2.1%</b>
<b>Total liabilities, insurance operations' surplus and shareholders' equity</b>	<b>696,779</b>	<b>572,685</b>	<b>678,173</b>	<b>(17.8%)</b>	<b>18.4%</b>

Source: Audited Financial Statements and Company

Total insurance operations' assets decreased from SAR 605.5 million at 31 December 2013G to SAR 583.3 million at 31 December 2015G. This decrease was mainly due to an overall decline in reinsurers' share of outstanding claims due to an overall decline in outstanding claims.

Total shareholders' assets remained largely consistent at 31 December 2013G, 2014G and 2015G. Major components of shareholders' assets at 31 December 2015G included investments amounting SAR 81.9 million and statutory deposit amounting SAR 10.0 million.

Insurance operations' liabilities mainly comprised policyholders' liabilities in addition to technical provisions/reserves that include unearned premium reserves, unearned reinsurance commission and outstanding claims including IBNR, whilst the shareholders' liabilities primarily comprised zakat payable, accruals and balance due to insurance operations.

Total insurance operations' liabilities decreased from SAR 604.0 million at 31 December 2013G to SAR 580.6 million at 31 December 2015G. This decrease was mainly on account of an overall decline in outstanding claims as at 31 December 2015G.

Insurance operations surplus represent the accumulated surplus from insurance operations. Increase in this balance in 2014G was due to the surplus from insurance operations during 2014G.

Shareholders' equity increased from SAR 58.0 million at 31 December 2013G to SAR 68.1 million at 31 December 2014G. This was mainly because of a decline in accumulated losses from net profits generated in 2014G. Shareholder's equity declined to SAR 55.6 million at 31 December 2015G. This was mainly because of losses incurred during 2015G.

## 6-7-1 Insurance operations' assets

The following table presents the insurance operations' assets as at 31 December 2013G, 2014G and 2015G.

**Table 89: Insurance operations' assets**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Cash and cash equivalents	83,161	72,814	101,532	(12.4%)	39.4%
Premiums receivable	54,872	61,117	92,757	11.4%	51.8%
Reinsurers' share of unearned premium	98,325	115,561	130,839	17.5%	13.2%
Reinsurers' share of outstanding claims	271,453	152,606	145,964	(43.8%)	(4.4%)
Deferred policy acquisition costs	31,659	36,551	43,847	15.5%	20.0%
Due from reinsurers	12,420	11,614	20,483	(6.5%)	76.4%
Prepaid expenses and other assets	21,773	7,127	10,216	(67.3%)	43.3%
Due from Shareholders operations	31,787	22,394	37,666	(29.5%)	68.2%
<b>Total insurance operations' assets</b>	<b>605,450</b>	<b>479,784</b>	<b>583,304</b>	<b>(20.8%)</b>	<b>21.6%</b>

Source: Audited Financial Statements and Company

Insurance operations assets primarily comprised premiums receivable, reinsurers' share of unearned premium, reinsurers' share of outstanding claims and cash and cash equivalents.

Insurance operations' assets decreased by 20.8% as at 31 December 2014G to SAR 479.8 million compared to SAR 605.5 million as at 31 December 2013G. This was predominantly on account of a decline in reinsurers' share of outstanding claims, which reduced from SAR 271.5 million at 31 December 2013G to SAR 152.6 million at 31 December 2014G. This was mainly due to settlement of a key property claim in 2014G which was substantially reinsured.

Insurance operations' assets increased by 21.6% to reach SAR 583.3 million at 31 December 2015G. This increase was mainly attributable to an increase in premiums receivable; reinsurance share of unearned premiums; and deferred policy acquisition costs, due to an overall increase in insurance business activity resulting from an increase in GWP during 2015G. Further, insurance operations assets also increased due to an increase in due from shareholders' operations on account of losses incurred during 2015G.

### Cash and cash equivalents

The following table presents the cash and cash equivalents as at 31 December 2013G, 2014G and 2015G.

**Table 90: Cash and cash equivalents**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Cash in hand	324	24	30	(92.6%)	25.0%
Cash at bank	14,087	25,915	14,627	84.0%	(43.6%)
Term deposits	68,750	46,875	86,875	(31.8%)	85.3%
<b>Total Cash and cash equivalents</b>	<b>83,161</b>	<b>72,814</b>	<b>101,532</b>	<b>(12.4%)</b>	<b>39.4%</b>

Source: Audited Financial Statements and Company

Cash and cash equivalents relating to insurance operations mainly comprised current accounts and term deposits. It is worth noting that all bank accounts and term deposits attributable to the Company are held with Saudi Hollandi Bank. Cash in hand represents petty cash maintained by the Company to facilitate payment of day-to-day expenses.

Term deposits are liquid investments with a maturity term of three months or less. Any excess cash available to the Company is invested in 3 months deposits on an ongoing basis.

Cash and cash equivalents decreased by 12.4% in 2014G to reach SAR 72.8 million compared to SAR 83.2 million as of 31 December 2013G. This was mainly due to a 31.8% decline in term deposits balance as certain term deposits reached maturity and were utilized as part of the working capital.

Cash and cash equivalent increased by 39.4% at 31 December 2015G to SAR 101.5 million. This increase was mainly on account of GWP growth during 2015G.

### **Premiums receivable**

The following table presents the premiums receivable as at 31 December 2013G, 2014G and 2015G.

**Table 91: Premiums receivable**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Policyholders	60,293	68,112	103,164	13.0%	51.5%
Provision for doubtful receivables	(5,421)	(6,995)	(10,407)	29.0%	48.8%
<b>Total Premiums receivable</b>	<b>54,872</b>	<b>61,117</b>	<b>92,757</b>	<b>11.4%</b>	<b>51.8%</b>

Source: Audited Financial Statements and Company

Premiums receivable represent outstanding premiums due from policyholders. Premiums receivable are presented net of provisions against doubtful debtors at each balance sheet date. The Company recognizes provisions against doubtful debts based on percentage as specified in SAMA's implementing regulations.

Premiums receivable increased by 11.4% in 2014G to reach SAR 61.1 million compared to SAR 54.9 million at 31 December 2013G. This year on year increase was predominantly attributable to an overall increase in business activity, particularly in the motor line of business (corporate business).

Premiums receivable increased further to SAR 92.8 million at 31 December 2015G. This was mainly due to an increase in premiums written during 2015G, on account of delays in settlement of various long outstanding balances (i.e., aged between 90 to 360 days) and due to instalment plans agreed with certain customers. These long outstanding receivable balances related to a large number of policyholders and are not concentrated under a few key accounts.

The following table presents the ageing of premiums receivable as at 31 December 2013G, 2014G and 2015G.

**Table 92: Ageing of premiums receivable**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
Less than 90 days	38,620	35,880	49,849
<b>Past due but not impaired</b>			
Between 90 to 180 days	6,965	15,105	31,570
Between 181 to 360 days	8,876	9,775	10,942
More than 360 days	411	357	396
<b>Total Premiums receivable</b>	<b>54,872</b>	<b>61,117</b>	<b>92,757</b>

Source: Audited Financial Statements and Company

Insurance companies registered in Saudi Arabia are required to comply with the technical provisioning policy set out in the implementing regulations issued by SAMA (Article 69). The Company recognizes provisions based on SAMA's implementing regulations for premiums receivable from all its policyholders.



## Reinsurers' share of unearned premiums

The following table presents the reinsurers' share of unearned premiums by line of insurance business as at 31 December 2013G, 2014G and 2015G.

**Table 93: Reinsurers' share of unearned premiums by line of insurance business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	6,979	8,572	6,729	22.8%	(21.5%)
Property	12,747	12,190	17,435	(4.4%)	43.0%
Motor	18,956	12,771	18,886	(32.6%)	47.9%
Engineering	17,104	20,792	15,950	21.6%	(23.3%)
Accident & liability	6,947	5,966	8,812	(14.1%)	47.7%
Extended warranty	31,100	49,406	54,150	58.9%	9.6%
Term life	4,492	5,864	8,877	30.5%	51.4%
<b>Total Reinsurers' share of unearned premiums</b>	<b>98,325</b>	<b>115,561</b>	<b>130,839</b>	<b>17.5%</b>	<b>13.2%</b>
<b>Reinsurers' share of unearned premiums/ Unearned premiums</b>					
Marine	83.3%	88.5%	86.3%		
Property	81.9%	82.7%	86.2%		
Motor	18.1%	17.5%	17.9%		
Engineering	83.9%	86.0%	87.9%		
Accident & liability	79.6%	71.6%	78.7%		
Extended warranty	100.0%	100.0%	100.0%		
Term life	82.6%	85.4%	88.9%		
<b>Total Reinsurers' share of unearned premiums</b>	<b>50.7%</b>	<b>62.1%</b>	<b>57.7%</b>		

Source: Audited Financial Statements and Company

Reinsurers' share of unearned premiums is calculated on a proportional basis similar to the basis for determining the gross unearned premiums. Reinsurance assets are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are in accordance with respective reinsurance contracts. Increase and decrease in reinsurers' share of unearned premiums is entirely dependent on the movement on unearned premiums at each balance sheet date.

Reinsurers' share of unearned premiums increased by 17.5% to reach SAR 115.6 million in 2014G compared to SAR 98.3 million in 2013G. This was mainly on account of the extended warranty line of business, which increased because of an overall growth in GWP from this line of business. The extended warranty line of business is 100% ceded by the Company. Reinsurers' share of unearned premium declined for property by 4.4%, motor by 32.6% and accident & liability by 14.1% at 31 December 2014G compared to the respective balances at 31 December 2013G. This was mainly because of a decline in gross unearned premiums relating to these lines of business.

Reinsurers' share of unearned premiums increased by 13.2% as at 31 December 2015G to reach SAR 130.8 million. This was mainly due to an increase in gross unearned premiums particularly attributable to the property and motor business lines. This was mainly due to growth in GWP during 2015G.



## Reinsurers' share of outstanding claims

The following table presents the reinsurers' share of outstanding claims by line of insurance business as at 31 December 2013G, 2014G and 2015G.

**Table 94: Reinsurers' share of outstanding claims by line of insurance business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	6,345	5,611	5,595	(11.6%)	(0.3%)
Property	186,081	42,540	24,659	(77.1%)	(42.0%)
Motor	11,265	7,670	18,190	(31.9%)	137.2%
Engineering	61,630	56,258	45,912	(8.7%)	(18.4%)
Accident & liability	4,706	36,283	36,776	671.0%	1.4%
Extended warranty	-	-	-	N/A	N/A
Term life	1,426	4,244	14,832	197.6%	249.5%
<b>Total reinsurers' share of outstanding claims</b>	<b>271,453</b>	<b>152,606</b>	<b>145,964</b>	<b>(43.8%)</b>	<b>(4.4%)</b>
<b>Total reinsurers' share of outstanding claims/ Outstanding claims</b>					
Marine	85.1%	87.1%	84.0%		
Property	99.1%	97.8%	88.4%		
Motor	20.9%	17.5%	23.3%		
Engineering	97.1%	97.4%	96.5%		
Accident & liability	80.8%	96.2%	92.0%		
Extended warranty	-	-	-		
Term life	87.9%	94.2%	90.3%		
<b>Total reinsurers' share of outstanding claims</b>	<b>84.8%</b>	<b>78.8%</b>	<b>67.4%</b>		

Source: Audited Financial Statements and Company

Reinsurers' share of outstanding claims decreased to SAR 152.6 million at 31 December 2014G compared to SAR 271.5 million at 31 December 2013G. This was mainly on account of the property, motor and engineering lines of business, due to the settlement of claims outstanding at 31 December 2013G during 2014G, and was partly offset by increase in accident and liability line of business.

Reinsurers' share of outstanding claims reduced to SAR 146.0 million at 31 December 2015G. This was mainly on account of the engineering by 18.4% and property by 42.0% lines of business. Decline in engineering was due to a decrease in outstanding reported claims as well as the IBNR estimated by the actuary. Decline in property was due to settlement of claims, amounting to SAR 17.4m, outstanding at 31 December 2014G. These decreases were partially offset by an increase in reinsurers' share of outstanding claims attributable to the motor line of business which was mainly on account of a large number of claims reported in the motor business segment due to an overall increase GWP of motor business line.

### Deferred policy acquisition costs

The following table presents the deferred policy acquisition costs as at 31 December 2013G, 2014G and 2015G.

**Table 95: Deferred policy acquisition costs**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
At the start of the period	38,118	31,659	36,551	(16.9%)	15.5%
Costs accrued	71,251	73,544	68,540	3.2%	(6.8%)
Costs charged	(77,710)	(68,652)	(61,244)	(11.7%)	(10.8%)
<b>Closing balance</b>	<b>31,659</b>	<b>36,551</b>	<b>43,847</b>	<b>15.5%</b>	<b>20.0%</b>

Source: Audited Financial Statements and Company

Direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance policies through insurance intermediaries are deferred to the extent that these costs are recoverable from future premiums.

Deferred policy acquisition costs related to commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition of insurance policies. Subsequent to initial recognition, these costs are amortized on a straight-line basis, based on the term of expected future premiums.

The following table presents the deferred policy acquisition by line of insurance business as at 31 December 2013G, 2014G and 2015G.

**Table 96: Deferred policy acquisition costs by line of insurance business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	1,108	1,278	826	15.3%	(35.4%)
Property	2,029	1,532	2,145	(24.5%)	40.0%
Motor	11,084	6,513	9,628	(41.2%)	47.8%
Engineering	1,334	1,301	1,559	(2.5%)	19.8%
Accident & liability	862	946	1,128	9.7%	19.2%
Extended warranty	14,464	24,053	27,154	66.3%	12.9%
Term life	778	928	1,407	19.3%	51.6%
<b>Total Deferred policy acquisition costs</b>	<b>31,659</b>	<b>36,551</b>	<b>43,847</b>	<b>15.5%</b>	<b>20.0%</b>

Source: Audited Financial Statements and Company

Deferred policy acquisition cost mainly related to extended warranty line of business. It represented 45.7%, 65.8% and 61.9% of the total deferred policy acquisition at 31 December 2013G, 2014G and 2015G, respectively. Higher concentration from extended warranty was mainly due to the long term nature of these policies. Deferral of acquisition costs is in line with the earning pattern of policies.

Deferred policy acquisition costs increased by 15.5% in 2014G reaching SAR 36.6 million at 31 December 2014G compared to SAR 31.7 million at 31 December 2013G. This was mainly due to the decrease in costs charged during the year and the increase in commissions paid during 2014G particularly attributable to the extended warranty line of business.

Deferred policy acquisition costs increased by 20.0%, to reach SAR 43.8 million at 31 December 2015G. This was mainly due to an increase in deferred policy acquisition cost related to the extended warranty and motor line of businesses. Increase witnessed in the extended warranty business was mainly from a change in the length of key policies from 1 year to 3 years. Deferred policy acquisition costs attributable to the motor line of business increased mainly on account of higher GWP in 2015G.

## Due from reinsurers

The following table presents the due from reinsurers balance as at 31 December 2013G, 2014G and 2015G.

**Table 97: Due from reinsurers**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Due from reinsurers, gross	12,420	12,564	25,402	1.2%	102.2%
Provision against doubtful receivable	-	(950)	(4,919)	N/A	417.4%
<b>Closing balance</b>	<b>12,420</b>	<b>11,614</b>	<b>20,483</b>	<b>(6.5%)</b>	<b>76.4%</b>

Source: Audited Financial Statements and Company

Receivables from reinsurers mainly comprised net claims due from reinsurers under facultative deals and treaty arrangements.

Amounts due from reinsurers are presented net of provisions against doubtful receivables. Provisions against doubtful receivables are recognized as per the SAMA's Implementing Regulations. Due from reinsurers decreased from SAR 12.4 million at 31 December 2013G to SAR 11.6 million at 31 December 2014G. This was mainly due to provisions against a doubtful receivable of SAR 1.0 million recognized against a balance due from a reinsurer that was facing financial crisis during 2014G.

Gross amount due from reinsurers grew to SAR 20.5 million at 31 December 2015G. This was mainly attributable to an increase in receivables from two reinsurers. Provisions for doubtful receivables increased to SAR 4.9 million at 31 December 2015G. This was mainly due to 100% provision made by the Company against a balance due from a reinsurer facing financial crisis.

## Prepayments and other assets

The following table presents the prepayments and other assets as at 31 December 2013G, 2014G and 2015G.

**Table 98: Prepayments and other assets**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Prepayments	2,327	1,642	3,405	(29.4%)	107.4%
Staff receivables	910	1,376	1,865	51.2%	35.5%
Others	18,536	4,109	4,946	(77.8%)	20.4%
<b>Total Prepayments and other assets</b>	<b>21,773</b>	<b>7,127</b>	<b>10,216</b>	<b>(67.3%)</b>	<b>43.3%</b>

Source: Audited Financial Statements and Company

Prepayments mainly represent the prepaid rents and other expenses. Staff receivables mainly related to staff loans provided by the Company to its employees. The Company has a policy of paying up to 2-3 salaries as an emergency loan post internal approvals. In addition, the Company also provides motor vehicle loans to certain category of its employees. Others mainly related to recovery collections in connection with the sale of salvage assets by the Company; and balance receivable/ payable to Saudi National Insurance Company ("SNIC") in connection with the management of its run-off business.

Prepayments and other assets decreased from SAR 21.8 million at 31 December 2013G to SAR 7.1 million at 31 December 2014G. This was mainly due to a decline in other assets, attributable to a balance receivable from a buyer of salvage assets. Staff receivables increased by 51.2% between 31 December 2013G and 31 December 2014G. This was due to an overall increase in staff headcount.

Prepayments and other assets increased to SAR 10.2 million at 31 December 2015G. This was mainly due to an increase in prepayments and other assets by 107.4% and 20.4% at 31 December 2015G, respectively. Prepayments increased mainly due to an increase in rights issue expenses incurred and prepaid by the Company until 31 December 2015G. Increase in Others was due to un-received income under the Manafeth arrangement, which was partially offset by a decrease in the balance due from the buyer of the salvage assets.

### Due from / (to) shareholders operations / insurance operations

The following table presents the balances due from/ (to) shareholders operations / insurance operations as at 31 December 2013G, 2014G and 2015G.

**Table 99: Due from / (to) shareholders operations / insurance operations**

SAR in 000's	31 December 2013G (Audited)		31 December 2014G (Audited)		31 December 2015G (Audited)	
	Insurance operations	Shareholders 'operations	Insurance operations	Shareholders 'operations	Insurance operations	Shareholders 'operations
Opening balance	(8,331)	8,331	31,787	(31,787)	22,394	(22,394)
Appropriation of (surplus)/ deficit from insurance to shareholders' operation	31,787	(31,787)	(11,172)	11,172	9,209	(9,209)
Cash transfer	8,331	(8,331)	1,779	(1,779)	6,063	(6,063)
<b>Due from / (to) shareholders operations / insurance operations</b>	<b>31,787</b>	<b>(31,787)</b>	<b>22,394</b>	<b>(22,394)</b>	<b>37,666</b>	<b>(37,666)</b>

Source: Audited Financial Statements and Company

Due from / (to) shareholders' operations / insurance operations represent intermediary accounts consisting of outstanding transactions between shareholders' and insurance operations. Transactions recorded under these accounts include the appropriation of the insurance operations surplus/ deficit to the shareholders' account, in addition to internal payments and transfers made in the normal course of business.

Cash transfers mainly represent transfer of funds between insurance and shareholders' operations, and are dictated by liquidity requirements of the shareholders operations. Expenses related to shareholders were paid through insurance operations and are recovered from shareholders' operations.

### 6-7-2 Shareholders' assets

The following table presents the shareholders' assets as at 31 December 2013G, 2014G and 2015G.

**Table 100: Shareholders' assets**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Cash and cash equivalents	705	272	192	(61.4%)	(29.4%)
Advance against an investment	1,923	1,923	-	0.0%	(100.0%)
Investments	75,645	77,459	81,939	2.4%	5.8%
Statutory deposit	10,000	10,000	10,000	0.0%	0.0%
Property and equipment, net	2,791	1,971	1,848	(29.4%)	(6.2%)
Prepaid expenses	265	1,276	890	381.5%	(30.3%)
<b>Total shareholders' assets</b>	<b>91,329</b>	<b>92,901</b>	<b>94,869</b>	<b>1.7%</b>	<b>2.1%</b>

Source: Audited Financial Statements and Company

Shareholders' assets mainly comprised cash and cash equivalents, investments and statutory deposits. On a combined basis, these accounted for 94.5%, 94.4% and 97.1% of the total shareholders' assets at 31 December 2013G, 2014G and 2015G, respectively.

Shareholders' assets remained largely consistent between 31 December 2013G and 31 December 2015G.

## Cash and cash equivalents

Cash and cash equivalents mainly represent cash at bank maintained with Saudi Hollandi Bank.

Cash and cash equivalents remained largely consistent at 31 December 2013G, 31 December 2014G and 31 December 2015G. Variances noted at each balance sheet date were in the ordinary course of business.

## Advance against an investment

Advance against an investment represents amount paid by the Company for acquiring shares in Najm for Insurance Services, a non-listed Saudi Limited Liability Company. Najm for Insurance Services did not allocate shares until 31 December 2014G. These were allotted during 2015G, therefore reported under available for sale investments.

## Investments

The following table presents the movement in investments as at 31 December 2013G, 2014G and 2015G.

**Table 101: Investments**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)
<b>FV through income statement investments</b>			
Opening balance	19,176	75,645	77,459
Additions	55,000	-	2,000
Disposals	-	-	-
Change in fair value	1,469	1,814	557
<b>Subtotal</b>	<b>75,645</b>	<b>77,459</b>	<b>80,016</b>
Available for sale investments	-	-	1,923
<b>Total Investments</b>	<b>75,645</b>	<b>77,459</b>	<b>81,939</b>

Source: Audited Financial Statements and Company

Investments are classified as financial assets at fair value through income statement. These investments primarily represent investments in discretionary portfolios, which are managed by professional investment managers in accordance with guidelines approved by the Board of Directors and the Investment Committee of the Company. Professional investments managers used by the Company mainly include NCB Capital (a Saudi closed joint stock company headquartered in Riyadh – KSA), Alkhabeer Capital (a Saudi closed joint stock company headquartered in Jeddah – KSA) and Brown Brothers Harriman (an American partnership headquartered in the New York – United States of America).

As at 31 December 2015G, investments managed by NCB Capital, Brown Brothers Harriman and Alkhabeer Capital accounted for 72.7%, 24.8% and 2.5% of total investments, respectively.

Investments increased from SAR 75.6 million at 31 December 2013G to SAR 77.5 million at 31 December 2014G. This was mainly due to an increase in the fair value of investments during 2014G.

Total investments increased further by SAR 4.5 million at 31 December 2015G. This was mainly due to investments amounting to SAR 2.0 million made with Alkhabeer Capital and reclassification of advance against investment in Najm to investments during 2015G.

The following table presents the investments by type as at 31 December 2015G.

**Table 102: Investments by type**

SAR in 000's	31 December 2015G (Audited)
Cash and cash equivalents	32,042
Investment funds in KSA	7,546
Saudi Government bonds	10,044
Non-Saudi A rated Government bonds	12,391

SAR in 000's	31 December 2015G (Audited)
Financial institutions bonds	11,022
Shares	8,895
<b>Total investments</b>	<b>81,939</b>

Source: Company

### Statutory deposit

The statutory deposit represents 10.0% of the paid up capital of the Company, in accordance with the Cooperative Insurance Companies Control Law. The statutory deposit is maintained with Saudi Hollandi Bank, and cannot be withdrawn without prior consent of SAMA.

### Property and equipment

The following table presents the property and equipment as at 31 December 2013G, 2014G and 2015G.

**Table 103: Property and equipment**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Furniture and fixtures	394	343	402	(12.9%)	17.2%
Office equipment	1,457	1,282	1,237	(12.0%)	(3.5%)
Motor vehicles	491	346	209	(29.5%)	(39.6%)
Capital work in progress	449	-	-	(100.0%)	N/A
<b>Total Property and equipment</b>	<b>2,791</b>	<b>1,971</b>	<b>1,848</b>	<b>(29.4%)</b>	<b>(6.2%)</b>

Source: Audited Financial Statements and Company

Property and equipment mainly comprised office equipment that mainly includes IT equipment, software costs and other office supplies.

Net Book Value (NBV) of office equipment represented 52.2%, 65.0% and 66.9% of the total NBV of property and equipment at 31 December 2013G, 2014G and 2015G, respectively.

Capital work in progress at 31 December 2013G represented telephone and document management systems, that were transferred to office equipment during 2014G.

Additions of SAR 1.1 million were made in 2014G. These mainly related to purchase of servers and other IT related equipment, as well as the purchase of new telephone systems. Additions of SAR 1.2 million were made during 2015G. These additions mainly related to office equipment (mainly upgrade costs for Company's IT system) and furniture and fixtures related costs incurred on the refurbishment of the Riyadh branch of the Company.

Disposals between 31 December 2013G and 31 December 2015G were mainly attributable to motor vehicles and were in the ordinary course of business.

### Prepayments and other assets

The following table presents the prepayments and other assets as at 31 December 2013G, 2014G 2015G.

**Table 104: Prepayments and other assets**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Income tax receivable from foreign shareholders	-	904	-	N/A	(100.0%)
Prepayments	79	186	704	135.4%	278.5%
Zakat paid under protest	186	186	186	0.0%	0.0%
<b>Total Prepayments and other assets</b>	<b>265</b>	<b>1,276</b>	<b>890</b>	<b>381.5%</b>	<b>(30.3%)</b>

Source: Audited Financial Statements and Company

Income tax receivable from foreign shareholders mainly represents the balance receivable from foreign shareholders as their portion of income tax paid to the General Authority for Zakat and Tax (previously Department of Zakat and Income Tax). Balance as at 31 December 2014G amounting to SAR 0.9 million was settled during 2015G.

Prepayments attributable to shareholders' operations mainly represents balances attributable to prepaid MIS maintenance expenses. Period on period variance in prepayments balance was mainly attributable to the timing and value of the prepayments made with respect to these expenses. Prepayments increased to SAR 0.7 million at 31 December 2015G. This was mainly due to the Company paying a down payment of around SAR 0.3 million for a new claims office in Jeddah and on account of advances paid to suppliers of new furniture for their existing office in Jeddah amounting to SAR 0.2 million.

Zakat under protest relates to a payment made to the General Authority for Zakat and Tax (previously Department of Zakat and Income Tax) on account of a historical tax claim. The Company filed its returns with the General Authority for Zakat and Tax from inception up to 2014G. During 2012G, the General Authority for Zakat and Tax raised the final assessment for the Company's first period (from 26 April 2010G to 31 December 2011G) and claimed additional Zakat of SAR 0.3 million and additional withholding tax of SAR 0.3 million. The Company has appealed against these additional assessments, but the Preliminary Appeal Committee ruled in favour of the General Authority for Zakat and Tax. During 2014G, the Company settled the entire additional claim of withholding taxes liability and paid additional zakat of SAR 0.2 million under appeal. During 2015G, the General Authority for Zakat and Tax issued the amended tax and zakat assessment for 2012G levying additional zakat of SAR 8.7 thousands. The Company has filed its objection against the additional assessment and has obtained a favourable ruling from the Preliminary Zakat and Income Tax Objection Committee.

### 6-7-3 Insurance operations' liabilities

The following table presents the insurance operations' liabilities as at 31 December 2013G, 2014G and 2015G.

**Table 105: Insurance operations' liabilities**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Unearned premiums	194,122	186,192	226,913	(4.1%)	21.9%
Outstanding claims	319,987	193,631	216,724	(39.5%)	11.9%
Unearned reinsurance commission	29,579	41,298	48,286	39.6%	16.9%
Premium deficiency reserve	6,233	-		100.0%	N/A
Reinsurance reserve	-	-	3,597	N/A	N/A
Due to reinsurers, agents and brokers and third party administrator	29,747	34,123	30,084	14.7%	(11.8%)
Due to policyholders	13,296	10,012	35,310	(24.7%)	252.7%
Accrued expenses and other liabilities	11,011	11,812	19,674	7.3%	66.6%
<b>Total insurance operations' liabilities</b>	<b>603,975</b>	<b>477,068</b>	<b>580,588</b>	<b>(21.0%)</b>	<b>21.7%</b>

Source: Audited Financial Statements and Company

Insurance operations' liabilities mainly consisted of policyholders' liabilities and technical provisions/reserves including unearned premium reserves, unearned reinsurance commission and outstanding claims including IBNR. All technical reserves are calculated and reconciled by the actuary before finalizing the periodic financial statements.

Insurance operations' liabilities decreased by 21.0% in 2014G, reaching SAR 477.1 million at 31 December 2014G compared to SAR 604.0 million as at 31 December 2013G. This was mainly on account of a reduction in gross outstanding claims due to settlement of a key property claim in 2014G.

Insurance operations' liabilities increased to SAR 580.6 million at 31 December 2015G. This was mainly on account of increase in unearned premiums and outstanding claims because of an overall growth in GWP during 2015G.

## Unearned premiums

The following table presents the unearned premiums by line of business as at 31 December, 2013G, 2014G and 2015G.

**Table 106: Unearned premiums**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Marine	8,382	9,689	7,796	15.6%	(19.5%)
Property	15,569	14,746	20,231	(5.3%)	37.2%
Motor	104,513	72,964	105,417	(30.2%)	44.5%
Engineering	20,396	24,189	18,140	18.6%	(25.0%)
Accident & liability	8,726	8,335	11,198	(4.5%)	34.3%
Extended warranty	31,100	49,406	54,150	58.9%	9.6%
Term life	5,436	6,863	9,981	26.3%	45.4%
<b>Total Unearned premiums</b>	<b>194,122</b>	<b>186,192</b>	<b>226,913</b>	<b>(4.1%)</b>	<b>21.9%</b>

Source: Audited Financial Statements and Company

Unearned premiums represent insurance premiums that relate to future periods. Recognition of these premiums in the results of insurance operations is deferred on a basis consistent with the term of the related policy coverage. Unearned premiums are calculated based on the following:

- Marine cargo insurance: calculated based on Gross written premiums/ Reinsurance premiums written during the last three months
- Other classes insurance: calculated based on 1/365 days
- Engineering insurance: calculated based on SAMA's guidelines

Unearned premiums decreased from SAR 194.1 million at 31 December 2013G to SAR 186.2 million at 31 December 2014G. This was predominantly under the motor line of business due to high unearned premium concentrated under one of the Company's agent (third party motor liability policies) at 31 December 2013G which were subsequently earned in 2014G.

Unearned premiums increased by 21.9% to reach SAR 226.9 million at 31 December 2015G. This was mainly on account of an increase in motor, property, accident & liability and term life lines of business, as a result of an overall increase in GWP during 2015G. Unearned premiums attributable to the extended warranty line of business increased by 9.6% as at 31 December 2015G. This was mainly due to a change in the length of certain extended warranty policies from 1 year to 3 years.

## Outstanding claims

The following table presents the gross outstanding claims as at 31 December 2013G, 2014G and 2015G.

**Table 107: Gross outstanding claims**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Outstanding claims	237,753	133,559	138,574	(43.8%)	3.8%
Incurred But Not Reported (IBNR)	82,234	60,072	78,150	(26.9%)	30.1%
<b>Total Gross outstanding claims</b>	<b>319,987</b>	<b>193,631</b>	<b>216,724</b>	<b>(39.5%)</b>	<b>11.9%</b>

Source: Audited Financial Statements and Company

Gross outstanding claims comprised the gross estimated cost of claims incurred but not settled at each balance sheet date - whether reported or not.

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 prior to the statement of financial position date. The primary technique adopted by the Company in estimating the cost of non-notified and IBNR claims, is that of using the claims settlement trends to predict future claims settlement trends.

The following table presents the gross outstanding claims by line of business as at 31 December 2013G, 2014G and 2015G.



**Table 108: Gross outstanding claims by line of business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	7,453	6,440	6,664	(13.6%)	3.5%
Property	187,855	43,481	27,890	(76.9%)	(35.9%)
Motor	53,772	43,723	78,195	(18.7%)	78.8%
Engineering	63,462	57,762	47,594	(9.0%)	(17.6%)
Accident & liability	5,823	37,719	39,959	547.8%	5.9%
Term life	1,622	4,506	16,422	177.8%	264.4%
<b>Total Gross outstanding claims</b>	<b>319,987</b>	<b>193,631</b>	<b>216,724</b>	<b>(39.5%)</b>	<b>11.9%</b>

Source: Audited Financial Statements and Company

Gross outstanding claims decreased from SAR 320.0 million at 31 December 2013G to SAR 193.6 million at 31 December 2014G. This was mainly due to a decline in gross outstanding claims under property and motor lines of business due to settlement of high value claims outstanding at 31 December 2013G, and a reduction in the IBNR reserve by the actuary.

Gross outstanding claims grew by 11.9% at 31 December 2015G to reach SAR 216.7 million. This was mainly due to an increase in IBNR as determined by the Company's actuary.

### Unearned reinsurance commission income

The following table presents the unearned reinsurance commission income as at 31 December 2013G, 2014G and 2015G.

**Table 109: Unearned reinsurance commission income**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
At the start of the period	42,799	29,579	41,298	(30.9%)	39.6%
Commission received	65,602	83,621	75,104	27.5%	(10.2%)
Commission earned	(78,822)	(71,902)	(68,116)	(8.8%)	(5.3%)
<b>Closing balance</b>	<b>29,579</b>	<b>41,298</b>	<b>48,286</b>	<b>39.6%</b>	<b>16.9%</b>

Source: Audited Financial Statements and Company

Commission income is received on business under proportional treaties and facultative arrangements. Commissions are taken into the statement of insurance operations over the terms of policies to which they relate to on a pro-rata basis. Unearned commissions represent the portion of commissions that correspond to the unexpired period of coverage.

Unearned commissions are calculated in the same manner as the unearned premiums reserve and are dependent upon the earnings pattern of the policies.

The following table presents the unearned reinsurance commission income by line of business as at 31 December 2013G, 2014G and 2015G.

**Table 110: Unearned reinsurance commission income by line of business**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Marine	2,081	2,455	1,719	18.0%	(30.0%)
Property	2,914	2,334	3,510	(19.9%)	50.4%
Motor	2,386	2,234	3,305	(6.4%)	47.9%
Engineering	2,020	1,964	2,509	(2.8%)	27.7%
Accident & liability	1,218	1,363	1,460	11.9%	7.1%

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Extended warranty	17,669	29,060	32,338	64.5%	11.3%
Term life	1,291	1,888	3,445	46.2%	82.5%
<b>Total Unearned reinsurance commission income</b>	<b>29,579</b>	<b>41,298</b>	<b>48,286</b>	<b>39.6%</b>	<b>16.9%</b>

Source: Audited Financial Statements and Company

Unearned commission relating to extended warranty line of business represented 59.7%, 70.4% and 67.0% of the total unearned reinsurance commission income as at 31 December 2013G, 2014G and 2015G, respectively. This was mainly due to higher commission rates in this line of business compared to other product lines and further due to the long term nature of these policies.

Unearned commission income increased by 39.6% in 2014G to reach SAR 41.3 million at 31 December 2014G compared to SAR 29.6 million at 31 December 2013G. This was mainly due to a change in the length of policies under extended warranty line of business from one year in 2013G to three years towards the end of 2014G.

Unearned commission income increased by 16.9% to SAR 48.3 million at 31 December 2015G. This was mainly due to an overall increase in GWP and reinsurance premiums ceded during 2015G.

### Premium deficiency reserve

Premium deficiency reserve ("PDR") was created in 2013G and was exclusively attributed to the third party motor liability policies written through one of the Company's agent. Premium deficiency reserve was created by the actuary to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that policies were potentially underpriced. The premium deficiency reserve calculation was based on the prospective assessment of the profitability associated with the unearned premium reserve.

PDR relating to the third party motor insurance policies sold through one of the Company's agent was reversed during 2014G as the unearned premiums carried forward were considered adequate to cover future losses. Hence, this reserve was no longer required. All claims since 2014G and beyond were expected to be covered through the IBNR reserve.

### Due to reinsurers, agents and brokers and third party administrator

The following table presents the due to reinsurers, agents, brokers and third party administrator as at 31 December 2013G, 2014G and 2015G.

**Table 111: Due to reinsurers, agents and brokers and third party administrator**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Reinsurers	13,532	14,245	10,509	5.3%	(26.2%)
Agents and brokers	14,038	13,491	17,000	(3.9%)	26.0%
Third party administrators	2,177	6,387	2,575	193.4%	(59.7%)
<b>Total Due to reinsurers, agents and brokers and third party administrator</b>	<b>29,747</b>	<b>34,123</b>	<b>30,084</b>	<b>14.7%</b>	<b>(11.8%)</b>

Source: Audited Financial Statements and Company

### Due to reinsurers

Reinsurance balances payable represent reinsurers' share of premiums under facultative deals and treaty arrangements. These are adjusted with reinsurance commissions' receivable from reinsurers.

Due to reinsurers remained largely consistent between 31 December 2013G and 31 December 2014G and decreased by 26.2% at 31 December 2015G to reach SAR 10.5 million. Year on year movement in balances due to reinsurers are in the ordinary course of business and are dependent upon the premiums payable to reinsurers' as at each year end.

## Due to agents and brokers

Amounts due to agents and brokers mainly represent commissions payable to respective intermediaries.

Amounts payable to agents and brokers increased from SAR 14.0 million at 31 December 2013G and SAR 13.5 million at 31 December 2014G to SAR 17.0 million at 31 December 2015G. This increase was mainly due to an increase in premiums receivable at 31 December 2015G where payments to intermediaries are linked with collections from associated policyholders.

## Due to third party administrators

Amount due to third party administrators represent TPA fee payable to third party administrators under the extended warranty line of business.

Fluctuations in the balance payable to third party administrators mainly attributed to premiums receivable under the extended warranty line of business since these are interrelated.

## Due to policyholders

The following table presents the due to policyholders as at 31 December 2013G, 2014G and 2015G.

**Table 112: Due to policyholders**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Policyholders	4,082	8,278	31,977	102.8%	286.3%
Third party claims	9,213	1,734	3,333	(81.2%)	92.2%
<b>Total Due to policyholders</b>	<b>13,296</b>	<b>10,012</b>	<b>35,310</b>	<b>(24.7%)</b>	<b>252.7%</b>

Source: Audited Financial Statements and Company

## Policyholders

Balance due to policyholders relates to amounts payable to policyholders as part of their approved and established claims.

Amounts due to policyholders increased by 102.8% in 2014G to reach SAR 8.3 million at 31 December 2014G compared to SAR 4.1 million at 31 December 2013G. This was mainly due to material claims finalised for certain key clients in 2014G. Amounts due to policyholders increased to SAR 32.0 million at 31 December 2015G. This was due to an outstanding claim payable on a property claim amounting to SAR 17.4 million at 31 December 2014G. This claim was settled in full in 2015G.

## Third party claims

Amounts due against third party claims decreased from SAR 9.2 million at 31 December 2013G to SAR 1.7 million at 31 December 2014G due to settlement of outstanding claims and the discontinuance of business through one of the Company's agent during 2014G. Balance payable against third party claims increased to SAR 3.3 million at 31 December 2015G mainly due to certain unsettled claims outstanding 31 December 2015G from TPL motor insurance policies.

## Accrued expenses and other liabilities

The following table presents the accrued expenses and other liabilities as at 31 December 2013G, 2014G and 2015G.

**Table 113: Accrued expenses and other liabilities**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G-2014G	Annual Growth 2014G-2015G
Accrued expenses	4,291	4,413	7,642	2.8%	73.2%
Provisions for reinsurers withholding tax	1,973	441	1,833	(77.6%)	315.6%
Payable to garages and workshops	2,405	3,763	5,471	56.5%	45.4%
End of service benefits	1,890	2,684	3,909	42.0%	45.6%

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Commissions payables	203	269	549	32.5%	104.1%
SAMA inspection fee	249	242	270	(2.8%)	11.6%
<b>Total Accrued expenses and other liabilities</b>	<b>11,011</b>	<b>11,812</b>	<b>19,674</b>	<b>7.3%</b>	<b>66.6%</b>

Source: Audited Financial Statements and Company

### Accrued expenses

Accrued expenses mainly represent provisions for employee bonuses, accrued audit fee, accrued IT expenses, GOSI provision, and other miscellaneous accruals. Provision for employee bonuses represented 66.8%, 73.0% and 45.8% of total accrued expenses at 31 December, 2013G, 2014G and 2015G, respectively.

Accrued expenses remained stable between 31 December 2013G and 31 December 2014G. Accrued expenses increased by 73.2% at 31 December 2015G to reach SAR 7.6 million. This was mainly due to the Company accruing a liability against cash received from a broker as part of an agreement for the settlement of a reinsurers' share of outstanding claim as this reinsurer was facing financial crisis. Moreover, accrued expenses also increased due to the inclusion of the data deficiency reserve amounting to SAR 72.3 thousand and a reinsurance reserve relating to non-proportional treaties where excess of loss amounted to SAR 1.3 million.

### Provision for reinsurers' withholding tax

Provision for withholding tax was mainly attributable to the withholding tax provisions made by the Company for payments to reinsurance agents. Period on period movement in this provision was mainly on account of a change in premiums ceded and frequency of payment made to reinsurers.

### Payable to garages and workshops

Payable to garages and workshop represent expenses payable to garages and workshops for the repair of assets such as motor vehicles insured by the Company.

Payable to garages and workshops increased from SAR 2.4 million in 2013G to SAR 3.8 million and SAR 5.5 million in 2014G and 2015G, respectively. This was mainly on account of an increase in the number of claims particularly attributable to the motor line of business.

### End of service benefits

End of service benefits are a statutory requirement for all Saudi companies and are payable to employees on resignation or termination of employment.

These increased from SAR 1.9 million at 31 December 2013G to SAR 3.9 million as at 31 December 2015G. This was predominantly on account of hiring new employees.

### Commissions payable

Commissions payable are mainly payable to in house insurance policy sales personnel of the Company. Commissions payable remain largely consistent between 31 December 2013G and 31 December 2014G. These increased from SAR 0.3 million as at 31 December 2014G to SAR 0.5 million as at 31 December 2015G. This was mainly on account of an overall increase in GWP generated by sales personnel.

### SAMA inspection fee

SAMA inspection fee remain largely consistent as at 31 December 2013G, 31 December 2014G and 31 December 2015G. SAMA inspection fee payable is directly related to the GWP during each year.

#### 6-7-4 Insurance operations' accumulated surplus

Accumulated surplus from insurance operations represent the 10% of net surplus from insurance operations retained and accumulated, as per SAMA requirements.

Accumulated surplus increased from SAR 1.5 million at 31 December 2013G to SAR 2.7 million at 31 December 2014G. This was due to the Company accumulating 10% of net surplus recorded during 2014G. Accumulated surplus remained consistent between 2014G and 2015G.

#### 6-7-5 Shareholders' liabilities

The following table presents the shareholders' liabilities as at 31 December 2013G, 2014G and 2015G.

**Table 114: Shareholders' liabilities**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Zakat and income tax payable	1,206	2,332	1,602	93.4%	(31.3%)
Accrued expenses and other liabilities	292	40	23	(86.3%)	(42.5%)
Due to policyholders operations	31,787	22,394	37,666	(29.5%)	68.2%
<b>Total shareholders' liabilities</b>	<b>33,285</b>	<b>24,766</b>	<b>39,291</b>	<b>(25.6%)</b>	<b>58.6%</b>

Source: Audited Financial Statements and Company

#### Zakat and income tax payable

The Company is owned by Saudi and GCC nationals along with foreign shareholders, therefore, it is subject to Zakat and income tax to the extent applicable to GCC and non-GCC shareholders.

The Company creates a provision for Zakat at 2.5% on the higher of the Zakat base or adjusted net income attributable to Saudi shareholders while taxable income attributable to foreign shareholders is subject to annual income tax rate of 20.0%.

Zakat and income tax are accrued and charged to the statement of shareholders' comprehensive operations. Income tax on foreign shareholding is recovered from foreign shareholders since 2013G. No provision for income tax is made and the Company incurred taxable loss during 2015G.

The Company filed its returns with the General Authority for Zakat and Tax (previously Department of Zakat and Income Tax) from inception up to 2014G. During 2012G, the General Authority for Zakat and Tax raised the final assessment for the Company's first period (from 26 April 2010G to 31 December 2011G) and claimed additional Zakat of SAR 0.3 million and additional withholding tax of SAR 0.3 million. The Company has appealed against these additional assessments, but the Preliminary Appeal Committee ruled in favour of the General Authority for Zakat and Tax. During 2014G, the Company settled the entire additional claim of withholding taxes liability and paid additional zakat of SAR 0.2 million under appeal. During 2015G, the General Authority for Zakat and Tax issued the amended tax and zakat assessment for 2012G levying additional zakat of SAR 8.7 thousands. The Company has filed its objection against the additional assessment and has obtained a favourable ruling from the Preliminary Zakat and Income Tax Objection Committee.

No assessments have yet been raised by the General Authority for Zakat and Tax for 2013G and 2014G.

#### Accrued expenses and other liabilities

The following table presents the accrued expenses and other liabilities as at 31 December, 2013G, 2014G and 2015G.

**Table 115: Accrued expenses and other liabilities**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Other payables	292	40	23	(86.3%)	(42.5%)
<b>Total Accrued expenses and other liabilities</b>	<b>292</b>	<b>40</b>	<b>23</b>	<b>(86.3%)</b>	<b>(42.5%)</b>

Source: Audited Financial Statements and Company

## Other payables

Other payables mainly included contribution income from a financial institution for the upgrade of Company's MIS for the bancassurance business line.

Other payables decreased over the reporting period as this income was amortized and recorded in the shareholders' income statement during the period ended 31 December 2013G and 31 December 2014G.

## Due to policyholders operations

Due to policyholders' operations, represent intermediary accounts consisting of outstanding transactions between shareholders' and insurance operations. This mainly represents payables to the insurance operations for financing and absorption of deficit from policyholder's operations.

## 6-7-6 Related parties

The following table presents the Company's related party transactions for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 116: Related parties' transactions**

SAR in 000's		31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Related party	Nature of transaction					
Board members	Directors expenses	1,258	116	1,424	(90.8%)	1,127.6%
Ex - Managing director	Fees and related expenses	625	297	31	(52.5%)	(89.6%)
Key management personnel	Remuneration and related expenses	6,346	7,336	7,863	15.6%	7.2%
	Loans and advances	50	315	545	530.0%	73.0%
Shareholders and related parties	Insurance premiums	19,369	77,122	79,035	298.2%	2.5%
	Claims paid	1,323	23,914	25,520	N/A	6.7%
	Facultative premiums (net)	2,625	3,164	4,077	20.5%	28.9%
	Expenses reimbursement	300	300	100	0.0%	(66.7%)
	Expenses incurred	2,622	3,395	3,549	29.5%	4.5%
	Claims and expenses paid on behalf of a shareholder	28,229	6,589	7,503	(76.7%)	13.9%
	Amount received from a shareholder for a claim and expense paid on his behalf	28,427	7,255	6,777	(74.5%)	(6.6%)
	Bank commission income	456	210	212	(53.9%)	1.0%
	Purchase of property and equipment	-	553	121	N/A	(78.1%)

Source: Audited Financial Statements and Company

Related party transactions are mainly associated with the insurance business with shareholders and companies directly owned by shareholders.

## Insurance business with related parties

GWP from related parties grew from SAR 19.4 million in 2013G to SAR 77.1 million and SAR 79.0 million in 2014G and 2015G, respectively. This was mainly influenced by the fact that until 2013G, certain EAJB group entities were not considered as related parties, however, since 2014G, based on revised interpretations of IFRS, all EAJB controlled entities were considered related parties of the Company. Accordingly, the premiums from these entities increased the GWP with related parties.

Further, growth in insurance business was mainly driven by business from three main related parties. GWP from these three clients represented on average 78.4% of the total GWP from related parties for the period ended 31 December 2014G and 31 December 2015G.

Claims paid to related parties increased from SAR 1.3 million in 2013G to SAR 23.9 million and SAR 25.5 million in 2014G and 2015G, respectively, in line with the GWP from related parties.

### Facultative premiums

These represent the reinsurers' share of facultative premiums in connection with the Company's reinsurance arrangement with SNIC under all lines of business except motor. These facultative premiums are presented net of SNIC's share of claims paid during each period.

### Expenses

Expense reimbursement related to the management fee charged to SNIC in connection with the management of SNIC's run-off business / insurance policies.

Expenses incurred predominantly include property rent and management fee expenses attributable to E.A. Juffali & Brothers and affiliated parties ("**Juffali Group**") in connection with desktop hardware, operating systems, productivity software, data network connectivity, telecommunication expenses, internet server hosting expenses and other IT service expenses.

Expenses incurred from related parties increased by 29.5% during 2014G compared to 2013G. This increase is due to an increase in rental along with an increase in electricity charges, where landlord did not impose in the past any fees for electricity, but they have begun since 2014G charging the Company 9% of the total electricity attributed to EAJB building (where the headquarters of the Company is located). Moreover, the Company also started obtaining software maintenance services from EAJB technical supply division during 2014G. These further increased expenses incurred from related parties since 2014G. Expenses incurred from related parties remained largely consistent between 31 December 2014G and 31 December 2015G.

### Memorandum of Understanding ("MOU") with SNIC

Claims and expenses paid on behalf of a shareholder' and 'amount received from a shareholder for a claim and expenses paid on his behalf' relate to SNIC's run off business currently being managed by the Company.

The Company currently charges a fee of SAR 0.1 million to SNIC under an MOU signed between both parties. The Company settles claims and other related expenses of this run-off business, which are then recovered from SNIC.

The following table presents the due (to)/ from related parties' balances as at 31 December 2013G, 2014G and 2015G.

**Table 117: Due (to)/ from related parties**

SAR in 000's	31 December 2013G (Audited)	31 December 2014G (Audited)	31 December 2015G (Audited)	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Premium receivable from/(due to) related party	37	3,170	5,886	8467.6%	85.7%
Cash and cash equivalents with a shareholder	83,542	73,062	101,694	(12.5%)	39.2%
Amount due for facultative premiums to shareholder	(246)	(329)	(211)	33.7%	(35.9%)
Loan and advances due from key management personnel	153	277	469	81.0%	69.3%
Advance provided to the managing director	78	31	-	(60.3%)	(100.0%)
Amounts due from/(due to) a shareholder	190	(476)	250	(350.5%)	(152.5%)
Other payable (contribution towards fixed assets financing) to a shareholder	(292)	(40)	-	(86.3%)	(100.0%)
Maintenance fees paid in advance to related party	-	112	79	N/A	(29.5%)
Taxation receivable from foreign shareholders	-	904	-	N/A	(100.0%)
Statutory deposit	-	10,000	10,000	N/A	0.0%

Source: Audited Financial Statements and Company

### **Premiums receivable from related parties**

Premiums receivable from related parties represent the balance receivable in respect of policies issued to shareholders and companies directly owned by them. These are presented net of balance due to respective parties against claims finalized against them.

Net amount receivable from related parties increased to SAR 3.2 million and SAR 5.9 million at 31 December 2014G and 31 December 2015G, respectively. This was mainly on account of an increase in overall insurance business with related parties during 2014G and 2015G.

### **Cash and cash equivalents with a shareholder**

Cash and cash equivalents with a shareholder represent cash at bank and term deposits with Saudi Hollandi Bank.

### **Amount due for facultative premiums to a shareholder**

Amount due for facultative premiums to a shareholder represent amounts due to SNIC relating to its reinsurer's share of premiums payable under facultative reinsurance arrangement under all lines of business except motor.

### **Loan and advances due from key management personnel**

Loan and advances due from key management personnel represent amounts due from the CEO, Vice CEO, Board of Directors Secretary and the Business Development Manager relating to advances for purchase of motor vehicles.

### **Amounts due from/ to a shareholder**

Amounts due from/ to a shareholder represents the amount due from / (to) SNIC under the MOU. Fluctuations in this balance mainly related to the status of balance payable / receivable depending on outstanding claims receivables / advance received on SNIC's behalf.

### **Maintenance fee paid in advance to a related party**

Maintenance fee paid in advance to a related party represents advance payments made to a related party in connection with the software maintenance charges.

### **Income tax receivable from foreign shareholders**

Income tax receivable from foreign shareholders was mainly attributable to the tax receivable from foreign shareholders of the Company.

### **Statutory deposit**

The statutory deposit of the Company was held with Saudi Hollandi Bank (a related party) since inception, but it has been registered in the notes of the financial statements since 2015G.

## **6-7-7 Commitments and contingencies**

There are no commitments and contingencies attributable to the Company as at 31 December 2015G.



## 6-7-8 Shareholders' equity

The following table presents the shareholders' equity as at 31 December 2013G, 2014G and 2015G.

**Table 118: Shareholders' equity**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Share capital	100,000	100,000	100,000	0.0%	0.0%
Accumulated losses	(41,956)	(31,865)	(44,422)	(24.1%)	39.4%
<b>Total shareholders' equity</b>	<b>58,044</b>	<b>68,135</b>	<b>55,578</b>	<b>17.4%</b>	<b>(18.4%)</b>

Source: Audited Financial Statements and Company

### Share capital

The issued and paid up share capital of the Company amounted to SAR 100.0 million divided into 10.0 million shares at a part value of SAR 10 each.

### Accumulated losses

Accumulated losses represent the accumulated deficit of the Company as a result of historical losses incurred by the Company, as well as net loss reported during 2013G. Accumulated losses increased from SAR 31.9 million in 2014G to SAR 44.4million at 31 December 2015G. This was due to the net loss reported for the year 2015G.

## 6-8 Cash flow statements

### 6-8-1 Statement of insurance operations' cash flows

The following table presents the insurance operations' cash flow statement for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 119: Statement of insurance operations' cash flows**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
<b>Cash flow from operating activities</b>					
Surplus for the year after shareholders' appropriation	-	1,241	-	N/A	(100.0%)
<b>Adjustments:</b>					
Shareholders' share of surplus/(deficit) from insurance operations	(31,787)	11,172	(9,209)	(135.1%)	(182.4%)
Provision/(reversal) for doubtful receivables	(331)	1,574	3,412	(575.5%)	116.8%
Provision for doubtful reinsurance receivables	-	950	3,969	N/A	317.8%
Reinsurers' share of unearned premiums	12,662	(17,236)	(15,278)	(236.1%)	(11.4%)
Deferred policy acquisition costs	6,459	(4,892)	(7,296)	(175.7%)	49.1%
Unearned premiums	(2,071)	(7,930)	40,721	282.9%	(613.5%)
Unearned reinsurance commission	(13,220)	11,719	6,988	(188.6%)	(40.4%)
Reinsurance reserve	-	-	3,597	N/A	N/A
Premium deficiency reserve	6,233	(6,233)	-	(200.0%)	(100.0%)
<b>Changes in operating assets and liabilities:</b>					
Premiums receivable	(9,718)	(7,819)	(35,052)	(19.5%)	348.3%

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Reinsurers' share of outstanding claims	(148,117)	118,847	6,642	(180.2%)	(94.4%)
Due from reinsurers	3,404	(144)	(12,838)	(104.2%)	8815.3%
Due from an agent	1,964	-	-	(100.0%)	N/A
Prepaid expenses and other assets	(19,146)	14,646	(3,089)	(176.5%)	(121.1%)
Outstanding claims	174,649	(126,356)	23,093	(172.3%)	(118.3%)
Due to reinsurers, agent, brokers and third party administrators	(4,425)	4,376	(4,039)	(198.9%)	(192.3%)
Due to policyholders	5,048	(3,284)	25,298	(165.1%)	(870.3%)
Accrued expenses and other liabilities	2,500	801	7,862	(68.0%)	881.5%
Due from/ to shareholders' operations	(8,331)	(1,779)	(6,063)	(78.6%)	240.8%
<b>Net cash generated from (used in) operating activities</b>	<b>(24,227)</b>	<b>(10,347)</b>	<b>28,718</b>	<b>(57.3%)</b>	<b>(377.5%)</b>
Cash and cash equivalents, opening	107,388	83,161	72,814	(22.6%)	(12.4%)
<b>Cash and cash equivalents, closing</b>	<b>83,161</b>	<b>72,814</b>	<b>101,532</b>	<b>(12.4%)</b>	<b>39.4%</b>

Source: Audited Financial Statements and Company

Cash from insurance operations' was mainly generated from operating activities during 2013G, 2014G and 2015G. Net cash used in operating activities amounted to SAR 24.2 million during 2013G and SAR 10.3 million during 2014G. This was mainly driven by payments made on account of TPL claims and further due to the high value claims paid under non-motor lines of business during these years.

Net cash generated from operating activities amounted to SAR 28.7 million during 2015G. This was mainly due to higher amount cash received from policies written during the year.

Insurance operations' cash and cash equivalents decreased from SAR 83.2 million at 31 December 2013G to SAR 72.8 million at 31 December 2014G. This later increased to SAR 101.5 million at 31 December 2015G. This was mainly due to movements in operating assets and liabilities.

## 6-8-2 Statement of shareholders' operations' cash flows

The following table presents the shareholders' operations' cash flow statement for the financial years ended 31 December 2013G, 2014G and 2015G.

**Table 120: Statement of shareholders' operations' cash flows**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
<b>Cash flow from operating activities</b>					
Net(loss) income of the year	(33,297)	11,550	(10,862)	(134.7%)	(194.0%)
<b>Adjustment:</b>					
Shareholders' share of deficit/(surplus) from insurance operation	31,787	(11,172)	9,209	(135.1%)	(182.4%)
Depreciation	1,445	1,746	1,207	20.8%	(30.9%)
Investment income	(1,469)	(1,814)	(896)	23.5%	(50.6%)
Loss on disposal of property and equipment	-	13	-	N/A	(100.0%)
	<b>(1,534)</b>	<b>323</b>	<b>(1,342)</b>		
<b>Changes in operating assets and liabilities:</b>					

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited	Annual Growth 2013G- 2014G	Annual Growth 2014G- 2015G
Due to insurance operations	8,331	1,779	6,063	(78.6%)	240.8%
Prepaid expenses and other assets	(105)	(252)	(518)	140.0%	105.6%
Accrued expenses and other liabilities	(256)	(107)	(17)	(58.2%)	(84.1%)
<b>Net cash generated from operating activities</b>	<b>6,436</b>	<b>1,743</b>	<b>4,186</b>	<b>(72.9%)</b>	<b>140.2%</b>
<b>Cash flow from investing activities:</b>					
Purchase of property and equipment	(2,277)	(1,084)	(1,084)	(52.4%)	0.0%
Proceeds from disposal of property and equipment	-	145	-	N/A	(100.0%)
Advance against an investment refunded	500	-	-	(100.0%)	N/A
Dividends received	-	-	339	N/A	N/A
Additions to investments	(55,000)	-	(2,000)	(100.0%)	N/A
<b>Net cash utilized in investing activities</b>	<b>(56,777)</b>	<b>(939)</b>	<b>(2,745)</b>	<b>(98.3%)</b>	<b>192.3%</b>
<b>Cash flow from financing activities</b>					
Income tax recovered from foreign shareholders	615	-	657	(100.0%)	N/A
Zakat and income tax paid	(2,576)	(1,237)	(2,178)	(52.0%)	76.1%
<b>Net cash utilized in financing activities</b>	<b>(1,961)</b>	<b>(1,237)</b>	<b>(1,521)</b>	<b>(36.9%)</b>	<b>23.0%</b>
<b>Net change in cash and cash equivalents</b>	<b>(52,302)</b>	<b>(433)</b>	<b>(80)</b>	<b>(99.2%)</b>	<b>(81.5%)</b>
Cash and cash equivalents, opening	53,007	705	272	(98.7%)	(61.4%)
<b>Cash and cash equivalents, closing</b>	<b>705</b>	<b>272</b>	<b>192</b>	<b>(61.4%)</b>	<b>(29.4%)</b>

Source: Audited Financial Statements and Company

Cash and cash equivalents relating to shareholders' operations decreased from SAR 0.7 million at 31 December 2013G to SAR 0.3 million at 31 December 2014G and to SAR 0.2 million at 31 December 2015G. This decline was mainly due to investing activities on account of additional investments and purchases to property and equipment by the Company during 2013G and 2015G.

## Operating activities

Shareholders' cash flow from operating activities was mainly driven by net income for the year, shareholders' share of net surplus/deficit from insurance operations and movement in balances due to insurance operations.

## Investing activities

Net cash outflow from investing activities decreased from SAR 56.8 million in 2013G to SAR 0.9 million in 2014G. This was primarily driven by investments amounting to SAR 55.0 million made in a discretionary portfolios with NCB Capital during 2013G.

Net cash outflow increased by SAR 1.8 million in 2015G compared to 2014G. This predominantly related to an investment of SAR 2.0 million in Alkhabeer Capital's Liquidity Fund during 2015G.

Capital expenditure amounting SAR 2.3 million in 2013G, SAR 1.1 million in 2014G and SAR 1.1 million in 2015G were mainly related to office equipment.

## Financing activities

Net cash flow from financing activities between 31 December 2013G and 31 December 2015G were mainly related to payments of Zakat and tax during the reporting period.

## 6-9 Solvency Analysis

### 6-9-1 Admissible assets

The following table presents the admissible assets as per SAMA reporting as at 31 December 2013G, 2014G and 2015G.

**Table 121: Admissible assets**

SAR in 000's	Admissibility factor	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited
<b>Cash and cash equivalents</b>				
Cash in hand	1.0%	324	24	30
Cash in banks	100.0%	117,215	83,066	133,736
<b>Total cash and cash equivalents</b>		<b>117,539</b>	<b>83,090</b>	<b>133,766</b>
<b>Investments</b>				
Deposits at financial institutions				
Statutory deposit	100.0%	10,000	10,000	10,000
Term deposits at banks	100.0%	-	-	-
Investment funds (invested inside Saudi)	5.0%	16,701	28,634	7,546
Debt securities and fixed income				
Saudi Government Bond	100.0%	-	4,028	10,043
Non-Saudi A Rated Government Bond	100.0%	15,283	15,613	12,391
Financial institutions bonds	5.0%	6,005	14,034	11,022
Shares (common, preferred)				
Other	1.0%	5,906	5,727	6,782
<b>Total investments</b>		<b>53,895</b>	<b>78,036</b>	<b>57,784</b>
<b>Receivables</b>				
Agents, Brokers, and TPAs				
General and Health premiums due within 90 days	100.0%	-	-	-
Policyholders				
General and Health premiums due within 90 days	100.0%	38,620	35,880	49,848
Reinsurers				
General and Health premiums due within 90 days	100.0%	12,420	11,614	20,483
<b>Total receivables</b>		<b>51,040</b>	<b>47,494</b>	<b>70,331</b>
<b>Reinsurance recoverables</b>				
Unearned premium	100.0%	98,325	115,561	130,839
Other reinsurance recoverables	100.0%	271,453	152,606	145,964
<b>Total reinsurance recoverables</b>		<b>369,778</b>	<b>268,167</b>	<b>276,803</b>
Deferred acquisition cost	100.0%	31,659	36,551	43,847
Distribution due from insurance operations	100.0%	-	-	-
Prepaid expenses	2.5%	17,419	14,317	16,954
Tangible assets				
Other tangible assets	2.5%	2,791	1,971	1,848
<b>Total admissible assets</b>		<b>644,121</b>	<b>529,626</b>	<b>601,333</b>

Source: Audited Financial Statements and Company

As per Article 65 of the SAMA Implementing Regulations, the Company shall value its assets for the purpose of calculating the solvency margin according to table (2) in these regulations. Article 65 (2) of SAMA's implementing regulations further states that the maximum limit per asset category of total assets is 20.0%. Adjustments are inserted manually, by SAMA, to reflect deductions reflecting non-compliance of assets concentration regulatory limits and exceeding maximum asset category limit.

Total admissible assets in the table above are based on the admissibility factor set by SAMA in the Implementing

Regulations. If the percentage of a particular item of asset divided by total assets is less than the acceptability factor, 100% of the product is considered acceptable.

The maximum limit of 20% was exceeded under 'reinsurance recoverable' at 31 December 2013G, 2014G and 2015G. However, no adjustment was highlighted or suggested by SAMA in calculating the admissible assets of the Company at respective balance sheet dates.

## 6-9-2 Solvency statement

The following table presents the statement of solvency as per SAMA reporting as at 31 December 2013G, 2014G and 2015G.

**Table 122: Solvency statement**

SAR in 000's	31 December 2013G Audited	31 December 2014G Audited	31 December 2015G Audited
<b>Admissible assets</b>			
Admissible assets - Policyholders (Operations) (G&H)	552,970	438,722	509,146
Admissible assets – Shareholders	91,151	90,904	92,187
<b>Total admissible assets</b>	<b>644,121</b>	<b>529,626</b>	<b>601,333</b>
<b>Liabilities</b>			
Policyholders (Operations) liabilities (G&H)	603,975	477,068	580,588
Shareholders liabilities	33,285	24,766	39,291
Less: Liabilities allowed to be left out in covering the minimum margin	(31,787)	(22,394)	(37,666)
<b>Total liabilities</b>	<b>605,473</b>	<b>479,440</b>	<b>582,213</b>
<b>Net admissible assets</b>			
Net assets - Policyholders (Operations) (G&H), before adjustments	(51,005)	(38,346)	(71,442)
Net assets - Shareholders, before adjustments	57,866	66,138	52,896
Adjustments, allowed additions and exclusions	31,787	22,394	37,666
<b>Total net admissible assets (a)</b>	<b>38,648</b>	<b>50,186</b>	<b>19,120</b>
<b>Required minimum margin</b>			
Required margin (G&H)	67,063	56,278	70,629
<b>Total required minimum margin</b>	<b>67,063</b>	<b>56,278</b>	<b>70,629</b>
Minimum capital requirement (b)	100,000	100,000	100,000
<b>Total Required Minimum Margin (the highest of 2 methods)</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>(Deficiency)/excess of net admissible assets over required minimum margin (a)-(b)</b>	<b>(61,352)</b>	<b>(49,814)</b>	<b>(80,880)</b>
<b>Solvency margin</b>	<b>38.6%</b>	<b>50.2%</b>	<b>19.1%</b>

Source: Audited Financial Statements and Company

According to SAMA's Implementing Regulations, for general and health insurance business, the Company is required to maintain a margin of solvency equal to the highest of the following three amounts:

- Minimum Capital Requirement;
- Premium Solvency Margin; and
- Claims Solvency Margin.

Solvency margin was the highest under the premium solvency method during 2013G, 2014G and 2015G amounting to SAR 67.1 million, SAR 56.3 million and SAR 70.6 million respectively. However, this was less than the minimum capital requirement of SAR 100.0 million. Accordingly, minimum capital requirement was used to calculate net deficiency/excess of net admissible assets over required minimum margin.

The net admissible assets were insufficient to cover the minimum capital requirement of SAR 100.0 million as at 31 December 2013G, 31 December 2014G and 31 December 2015G. The Company had a deficit of SAR 80.9 million over the required minimum solvency margin as at 31 December 2015G.

## 7. Capitalization and Indebtedness

The Company's current share capital is (SAR100,000,000) one hundred million Saudi Riyals consisting of (10,000,000) ten million shares with a nominal value of (SAR10) ten Saudi Riyals per share. The Founding Shareholders subscribed for 70% of the Company's capital shares and paid up their value in full, while the remaining 30% were publicly offered during the period from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G).

The Company's Board of Directors declare that none of the Company's share capital is under option, and the Company has not granted any privileges or preferential rights to Founding Shareholder or others.

On 26/06/1436H (corresponding to 15/04/2015G), the Company's Board of Directors decided in its meeting to recommend to the EGM to increase the Company's capital from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals through a Rights Issue Offering in order to reach and maintain the required solvency margin.

The Company has obtained SAMA's approval pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G) to increase its capital by (SAR100,000,000) one hundred million Saudi Riyals through a Rights Issue Offering of (10,000,000) ten million shares with a nominal value of (SAR10) ten Saudi Riyals per share to become (SAR200,000,000) two hundred million Saudi Riyals, divided into (20,000,000) twenty million Shares with a nominal value of (SAR10) ten Saudi Riyals per share.

The EGM held on 26/10/1437H (corresponding to 31/07/2016G) has approved the recommendation of the Board of Directors to increase the capital as mentioned and the increase will be limited to the shareholders registered at the end of the trading day of the EGM (Eligibility Date) pursuant to the terms and conditions contained in this Prospectus (please see section 18 "Subscription Terms and Conditions").

**Table 123: Company's Share Capital and Indebtedness**

(SAR '000)	31 Dec 2013G (Audited)	31 Dec 2014G (Audited)	31 Dec 2015G (Audited)
Unearned premiums	194,122	186,192	226,913
Outstanding claims	319,987	193,631	216,724
Unearned reinsurance commission	29,579	41,298	48,286
Premium deficiency reserve	6,233	-	-
Reinsurance reserves	-	-	3,597
Due to reinsurers, agents, brokers and third party administrators	29,747	34,123	30,084
Due to policyholders	13,296	10,012	35,310
Accrued expenses and other liabilities	11,011	11,812	19,674
Accumulated surplus from insurance operations	1,475	2,716	2,716
Due to shareholders' operations	-	-	-
<b>Total insurance operations' liabilities and surplus</b>	<b>605,450</b>	<b>479,784</b>	<b>583,304</b>
Zakat and income tax payable	1,206	2,332	1,602
Payable expenses and other liabilities	292	40	23
Insurance operations liabilities	31,787	22,394	37,666
<b>Total shareholders' liabilities</b>	<b>33,285</b>	<b>24,766</b>	<b>39,291</b>
Capital	100,000	100,000	100,000
Accumulated Losses	(41,956)	(31,865)	(44,422)
<b>Total shareholders' equity</b>	<b>58,044</b>	<b>68,135</b>	<b>55,578</b>
<b>Total liabilities, insurance operations' surplus, and shareholders' equity</b>	<b>696,779</b>	<b>572,685</b>	<b>678,173</b>

Source: The audited financial statements

The Company's Board, Secretary and Senior Management members declare that:

- The Company does not hold any debt instruments, whether issued or outstanding, authorized or otherwise created but unissued, or any other term loans secured or not secured by either personal guarantees mortgage as of the date of this Prospectus.
- The Company does not have any other borrowings debt including overdraft from bank accounts, liabilities under acceptance, acceptance credit or lease purchase obligations, covered or not covered by either a personal guarantee or a mortgage as of the date of this Prospectus.
- There are no mortgages, rights or encumbrances on the properties of the Company as of the date of this Prospectus.
- The Company has no potential liabilities or guarantees as of the date of this Prospectus.
- None of the Company's capital is under option as of the date of this Prospectus.
- The Company has sufficient working capital to cover the 12 months immediately following the date of the publication of the Prospectus.
- Other than the accumulated losses set out in subsection 6.2 ("Directors' declaration for financial information"), there has been no material adverse change in the financial and business 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.
- Until the date of this Prospectus, the Company's share capital has not been adjusted since incorporation, as it remained at (SAR100,000,000) one hundred million Saudi Riyals (incorporation capital).

## 8. Dividend Policy

Except for the first years, the Company intends to pay annual dividends based on the required capital level to support the Company's insurance operations. However, the Company does not expect to pay dividends to the shareholders in the first years after incorporation. The Company also does not make any assurance that any dividends will be paid afterwards, nor to the amount which will be paid in any year.

Any decision to distribute dividends will be dependent upon the Company's earnings, financial position, insurance market condition, the general economic climate, and other factors, including the Company's analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, as well as other legal and regulatory considerations. The Company will obtain SAMA's prior written approval on any resolutions or recommendations for the distribution of dividends. After obtaining SAMA's approval, the Company is required to immediately notify CMA of such resolutions or recommendations.

Pursuant to Article (43) forty three of the Company's by-laws, 10% of the net surplus from the insurance operations shall be distributed to policyholders either directly or by reducing their Premiums for the next year. The remaining net surplus of 90% will be transferred to the shareholders' income statement.

From time to time, dividends will be paid to the Shareholders from the net profits, in line with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Company's by-laws approved by the Company's Constituent Assembly. Article (44) forty four of the Company's By-Laws defines the Company's policy for distribution of Dividends as follows:

- Set aside the determined Zakat and income tax.
- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
- The Ordinary General Assembly may, based on a recommendation or a proposal by the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for specific purposes decided by the General Assembly.
- The balance shall be distributed as a first payment in the amount of at least five percent (5%) of the Company's paid-up capital to the Shareholders.
- The remaining shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.

By resolution of the Board of Directors, periodic profits deducted from the shareholders' annual profits, as set out above, may be distributed in accordance with applicable rules and regulations issued by the competent authorities, such as SAMA and the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry). The Company has not yet paid any dividends as of the date of this Prospectus due to the accumulated losses of previous financial years (there are no distributable dividends).

The New Offer Shares, as of the date of offering, are eligible for their portion of any dividends to be declared by the Company in the following financial years, if any.



## 9. Description of Share Capital and Shares

### 9-1 Capital

The Company was incorporated with a share capital of (SAR100,000,000) one hundred million Saudi Riyals divided into (10,000,000) ten million equal Shares, each with a nominal value of (SAR10) ten Saudi Riyals. The Founding Shareholders subscribed for a total of (7,000,000) seven million shares with a value of (SAR70,000,000) seventy million Saudi Riyals, representing 70% of the Company's capital. The public subscribed for (3,000,000) three million shares with a value of (SAR30,000,000) thirty million Saudi Riyals, representing 30% of total shares through an IPO during the period from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G). The Company has not granted any privileges or preferential rights to Founding Shareholder or other Shareholders.

### 9-2 Capital Increase

Since the Company's incorporation to the date of this Prospectus, the Company's capital has not increased. The Company may, with a resolution by the EGM and after obtaining the approval of the competent authorities including SAMA and CMA, increase the Company's capital once or more, provided that the original capital shall have been paid up in full. Such resolution shall specify the manner in which the capital shall be increased.

### 9-3 Share Capital Decrease

The Extraordinary General Assembly may, for valid reasons and after obtaining the approval of SAMA, CMA and the Minister of Commerce and Industry, resolve to reduce the Company's capital if it proves to be in excess of its needs or if the Company has incurred losses. Such resolution shall not be adopted except after considering the auditor's report on the reasons for such a reduction, with due consideration to the provisions of the Companies Law. The resolution shall provide for the manner in which the reduction shall be made. 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 object and present to the Company evidentiary documents within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### 9-4 Share Repurchase

The Company's by-laws do not discuss the ability to repurchase the Company's shares. Accordingly, we should refer to the Companies Law, particularly, Article (104), which provides that redemption may be effected by the Company purchasing its own shares provided that purchase price is at a discount or at equal value if it is a project that perishes gradually or is temporary rights-based, which should be read in conjunction with Article (105) of the Companies Law, which provides that the Company may purchase its shares if the purpose of purchase is redemption of shares or reduction of capital, or if the shares are within a range of funds that the Company purchases with its assets and liabilities.

### 9-5 Transfer of Shares

Shares shall be transferable in accordance with the rules, regulations and directives issued by the CMA. In exception to the foregoing, the cash shares subscribed to by the Founding Shareholders shall not be transferable before publishing the balance sheet for two full fiscal years, each covering the period of at least 12 months from the date of incorporation of the Company. These provisions are applicable to the Founding Shareholders' subscriptions in case of capital increase before expiry of the lock-up period. However, cash shares may be transferred during the lock-up period in compliance with the rights selling provisions from one shareholder to another or to any Board member to serve as qualification shares or from the heirs of any shareholders to any third party in case of death.

### 9-6 Voting Rights

Every Shareholder holding 20 shares or more has the right to attend the General Assembly personally or by proxy. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf. Votes at the Ordinary and Extraordinary General Assemblies shall be computed based on one vote for each Share represented at the meeting.

Resolutions of the Ordinary General Assembly and the Constituent Assembly shall be adopted by an absolute majority of the Shares represented at the meeting, and resolutions of the EGM shall be adopted by a majority vote of two-thirds of the Shares represented thereat. However, if the resolution to be adopted is related to increasing or reducing the capital,

extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's by-laws or merging the Company with another company or establishment (after the approval of SMA), then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and to the auditors. The members of the Board or the auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If the Shareholder deems the answer to the question unsatisfactory, then he/she may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

## 9-7 Rights to Dividends

The Shareholders' profits from their investments shall be in accordance with the rules set by the Board of Directors.

The share of the Shareholders in the net surplus shall be as set forth in Paragraph 5 of Article 43 of the by-laws, which stipulates the distribution of net surplus. Such distribution shall be 10%, either directly to the policyholders or through reducing their premiums for the following year. The remaining 90% shall be carried over to the Shareholders' earnings accounts.

Shareholders' profits shall be distributed as follows:

- Zakat and income tax allocations are to be withheld.
- An amount equal to 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital.
- The Ordinary General Assembly may, at the recommendation or proposal by the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated to specific purposes decided by the Shareholders' General Assembly.
- The balance shall be distributed as a first payment in the amount of at least five percent (5%) of the Company's paid-up capital to the Shareholders.
- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.

By resolution of the Board of Directors, periodic profits deducted from the annual profits specified earlier may be distributed in accordance with applicable rules and regulations issued by the competent authorities, such as SAMA and the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry). The Company has not paid dividends to its Shareholders as of the date of this Prospectus due to accumulated losses from previous financial years.

## 9-8 Rights to surplus assets at the dissolution and winding up of the Company

The Company's term shall expire upon the expiry of the Company's term in accordance with its by-laws or pursuant to the Companies Law, upon the expiry of the Company's term, or if it is dissolved prior to the time set for the expiry thereof. The Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators. Upon liquidation, entitlements of subscribers to the insurance operation surplus and to reserves formed as stipulated in the Articles 43 and 44 of the by-laws shall be taken into account.

## 9-9 Shareholders' General Assemblies

The Shareholders' General Assembly duly convened represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder, regardless of the number of shares held, shall have the right to attend the General Assembly, whether in person or by proxy. Each Shareholder holding 20 Shares (or more) shall have the right to attend a General Assembly, and each Shareholder may authorize another Shareholder (other than a member of the Board of Directors of the Company) to attend the General Assembly on his behalf.

The Ordinary General Assembly shall be valid only if attended by shareholders representing at least one half of the Company's share capital. If this quorum is not met at the first meeting, a notice shall be sent for a second meeting to be held within thirty (30) days following the previous meeting and the notice shall be sent in the manner prescribed by Article 88 of the Companies Law and the second meeting shall be deemed valid irrespective of the number of shares represented thereat.

The Extraordinary General Assembly shall be valid only if attended by shareholders representing at least one half of the Company's share capital. In case this quorum is not attained as prescribed earlier, a notice shall be made for a second

meeting. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the share capital.

Resolutions at the Constituent Assembly and General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least two-thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior the term stated in its by-laws, or merging the Company with another company or establishment, then such a resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

## 10. Use of Proceeds

### 10-1 Net Offering Proceeds

The total Offering Proceeds of the Rights Issue is estimated at one hundred million Saudi Riyals (SAR100,000,000), of which seven million Saudi Riyals (SAR7,000,000) will be paid to cover the Offering expenses and fees relating to the Financial Advisor, Legal Advisor, Lead Manager and Underwriters, in addition to the expenses of the advertisements, printing, Receiving Agents and other expenses related to the Offering. Net Offering Proceeds of the Rights Issue will amount to ninety-three million Saudi Riyals (SAR93,000,000).

### 10-2 Use of Net Proceeds

Net proceeds will be primarily used to increase the Company's solvency margin in order to meet the solvency margin requirements imposed by SAMA on insurance companies operating in KSA. Net proceeds will also be used to fund the replacement of the existing information system with a more sophisticated system to better meet the Company's future challenges, to fund the restructuring of certain work processes at the Company, and to fund the Statutory Deposit increase imposed on the Company by SAMA due to the increase in the Company's share capital. The Shareholders will not receive any proceeds resulting from the Offering. The proposed use of proceeds is as follows:

**Table 124: Proposed Use of Net Proceeds**

Description	Value (SAR million)
Total Proceeds from Offering	100
Estimated Offering Expenses	7
<b>Net Offering Proceeds</b>	<b>93</b>
Increase in the Statutory Deposit - (10%) ten percent of the increase in paid up share capital	10
Financial investments	70
Expenses related to the replacement of the existing information system	10
Expenses related to restructuring certain work processes at the Company	3

Source: The Company

The Company will distribute the amounts of the financial investments mentioned in schedule No. 124 above of (SAR70,000,000) seventy million Saudi Riyals, in accordance with the investment channels available under the Cooperative Insurance Companies Control Law. The proposed distribution of financial investments according to the Company's investment channels is as follows.

**Table 125: Proposed distribution of investments in accordance with the Company's investment channels**

Available investment channels	Value (SAR million)	Percentage of total
Time deposits	48	68.6%
Sukuk	10	14.3%
Shares	12	17.1%
<b>Total</b>	<b>70</b>	<b>100.0%</b>

Source: The Company

Pursuant to the requirements of Article (30) clause (c) of the Registration and Listing Rules, the Company will submit a quarterly report on the use of the proceeds of the Offering of the rights issue and will disclose the development with regards to the use thereof to the public.

#### Use of net proceeds to increase the Company's Statutory Deposit

Pursuant to the Cooperative Insurance Companies Control Law, the Statutory Deposit must be 10% of the paid-up capital. Therefore, the Company will allocate (SAR10,000,000) ten million Saudi Riyals from the net proceeds as a Statutory Deposit, bringing the total Statutory Deposit to twenty million Saudi Riyals (SAR20,000,000).

The Statutory Deposit will be increased within 30 days from receipt of the amount for the share capital increase.

### Use of proceeds to increase the Company's solvency margin.

All insurance companies operating in the Kingdom work pursuant to the Cooperative Insurance Companies Control Law and its Implementing Regulations issued by SAMA. The Implementing Regulations of the Cooperative Insurance Companies Control Law requires insurance companies to preserve a minimum level of admissible net assets recognizable (as set out below) in the solvency margin account. This requirement translates into the need to maintain a minimum of the total cover (100%) of the solvency margin (net assets admissible in the solvency account divided by the minimum solvency margin).

SAMA requires insurance companies to evaluate their net assets with the purpose of calculating the net assets admissible in the solvency margin according to the tables and coefficients specified by SAMA, taking the following into account:

- Asset evaluation must not exceed market value, except for the assets of securing protection and saving related to investment.
- The maximum must be (20%) twenty percent of the total allowed assets related to one party.

Article (66) sixty-six of the Implementing Regulations of the Cooperative Insurance Companies Control Law provides that a company working in general and health insurance must retain a minimum required solvency margin, adopting the higher of the following three ways:

- The minimum capital requirement of (SAR100,000,000) one hundred million Saudi Riyals for insurance companies not engaged in reinsurance (and increase the minimum for companies engaged in reinsurance to reach (SAR200,000,000) two hundred million Saudi Riyals).
- Premium solvency Margin, which is calculated according to the following:
  - GWP shall be allocated to branches of general and health insurance according to table No. (3) of the Implementing Regulations of the Cooperative Insurance Companies Control Law.
  - Net premiums for each activity shall be calculated after deducting an amount related thereto so as not to be less than (50%) fifty percent of total premiums of such activity.
  - The required solvency margin is calculated by multiplying the relative index by the amended net premiums.
- Claim Solvency Margin, which is calculated according to the following:
  - The rate of gross claims incurred is classified for the past three years according to table No. (4) of the Implementing Regulations of the Cooperative Insurance Companies Control Law.
  - Net claims incurred for each activity are calculated after deducting the assigned reinsurance ratio, in order for net claims incurred to be no less than (50%) fifty percent of total claims incurred for such activity.
  - The required solvency margin is calculated by multiplying the relative index by the amended net claims.

Article (67) sixty-seven of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that a company that engages in protection and savings insurance must maintain a solvency margin that is the total of the following:

- 4.0% of technical allocations for protection and savings insurance
- 0.3% of total coverage for individuals after subtracting the share of reinsurance, provided the reinsurance share does not exceed 50 percent of total coverage
- 0.1% of total coverage for groups after subtracting the reinsurance share, provided the reinsurance share does not exceed 50 percent of total coverage

The table below sets out the details of the Company's solvency margin and cover as of 31/12/2015G.

**Table 126: The details of the Company's solvency margin and cover as of 31/12/2015G.**

SAR million		As at 31/12/2015G
1	Minimum capital requirement	100.0
2	Total Premium Solvency Margin	70.6
3	Claims Solvency Margin	56.6
<b>The required minimum solvency margin of the Company (calculated by adopting the higher of (1), (2) or (3) above)</b>		<b>100.0</b>
<b>Net assets admissible in the solvency margin</b>		<b>19.1</b>
<b>Solvency Margin Cover (%)</b>		<b>19.1%</b>

Source: The Company

The Company has not complied with the minimum of the solvency margin cover (100%) hundred per cent required by SAMA. The Company's solvency margin cover was (19.1%) as of 31/12/2015G, leading the Company to increase its capital to meet such minimum.

It should be noted that certain investments of (SAR4) million have been miscategorized in one of the reports submitted to SAMA, and if properly categorized, the Company's solvency margin cover would have reached (15.1%) on 31/12/2015G.

The table below shows the expected contribution of net proceeds to increasing the solvency margin to a level higher than the minimum required by SAMA within the next few years.

**Table 127: Expected contribution of net proceeds to increasing the solvency margin\***

SAR million	31/12/2014G	31/12/2015G	31/12/2016G	31/12/2017G	31/12/2018G	31/12/2019G
Minimum Capital Requirement	100.0	100.0	100.0	100.0	100.0	100.0
Premium Solvency Margin	56.3	70.6	84.5	98.4	111.0	124.9
Claims Solvency Margin	50.7	56.6	52.8	59.3	64.8	73.1
Required minimum for Solvency Margin	100.0	100.0	100.0	100.0	111.0	124.9
Net assets recognizable in the solvency margin	50.2	19.1	116.0	135.4	166.6	216.4
Solvency Margin Cover (%)	50.2%	19.1%	116.0%	135.4%	150.1%	173.2%
Accumulated losses (% of the share capital)	31.9%	44.4%	12.9%	4.7%	0.0%	0.0%

Source: The Company

\*The Information included in the table above are discretionary for the periods after 31/12/2015G, as it is based on the business plan prepared in September 2015. Accordingly, actual results may differ from these projections.

The Company's solvency margin and cover will be increased within 30 days from receipt of the amount for share capital increase.

### Using net proceeds to replace the existing information system

As for the expenses of replacing the existing information system with a more sophisticated system capable of handling the Company's strategy for the next five years and which the Company undertakes to fund using part of the net proceeds, the following table illustrates the main costs estimated for this process:

**Table 128: The estimated cost for replacing the existing information system**

SAR million	Value	Time frame
<b>Main insurance system and related advisory services</b>		
Cost of the license to use the main insurance system	2.25	Within 90 days from receipt of the amount for share capital increase.
Cost of advisory services, implementing and installing the main insurance system and data relay	3.75	Within 90 days from receipt of the amount for share capital increase.
<b>Total</b>	<b>6.0</b>	
<b>Network, devices, and installation</b>		
Cost of routers, primary keys and fire wall	0.4	Within 180 days from receipt of the amount for share capital increase.
Cost of implementing the information network and information security system	0.35	Within 180 days from receipt of the amount for share capital increase.
<b>Total</b>	<b>0.75</b>	<b>Within 180 days from receipt of the amount for share capital increase.</b>
<b>Computers and electronic equipment, copying backup system and licenses</b>		
Cost of computers and electronic equipment	1.0	Within 180 days from receipt of the amount for share capital increase.
Cost of designing and implementing the copying backup system	0.45	Within 180 days from receipt of the amount for share capital increase.
Cost of necessary licenses	1.8	Within 180 days from receipt of the amount for share capital increase.
<b>Total</b>	<b>3.25</b>	
<b>Total cost of the replacement of existing information system</b>	<b>10.0</b>	

Source: The Company

### Using the net proceeds to restructure some of the work processes at the Company

As for the expenses of restructuring some of the work processes at the Company, which the Company undertakes to fund using part of the net proceeds, the following table illustrates the main costs for this process:

**Table 129: Cost of restructuring certain work processes at the Company**

SAR million	Value	Time frame
Advisory Costs of restructuring certain work processes in risk management	1.0	Within 180 days from receipt of the amount for share capital increase.
Advisory Costs of restructuring certain work processes in reinsurance	1.0	Within 180 days from receipt of the amount for share capital increase.
Advisory costs in respect of changing the Company's trademark	1.0	Within 180 days from receipt of the amount for share capital increase.
<b>Total cost of restructuring certain work processes at the Company</b>	<b>3.0</b>	

Source: The Company

## 11. Expert Statements

The Financial Advisor, Legal Advisor of the Offering, Financial Due Diligence Advisor, Actuary Advisor and Auditors whose names appear in pages (vii) and (viii) have given their written consent to the publication of their names, logos and statements in the form included in the Prospectus. Such consents were not withdrawn as of the date hereof.

None of the Financial Advisor, Legal Advisor of the Offering, Financial Due Diligence Advisor, Actuary Advisor and Auditors or their employees or any of their relatives has any shareholding or interest of any kind in the Company.



## 12. Declarations

As of the date of this Prospectus, the Company's Board members, Senior Management and Secretary of the Board declare that:

- There has been no interruption in the Company's business that may influence or have a significant impact on its financial situation during the last 12 months.
- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company during the previous three years directly preceding the request for admission and listing in connection with the issue or sale of any securities.
- There has been no material adverse change in the financial and business 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.
- Notwithstanding the content under subsection 14.5.1 "Related party transactions", subsection 5.2 "Board Members and Secretary" and subsection 5.3 "Senior Management" of this Prospectus, the Board members and their relatives may not have any share or interest of whatever kind in the Company.
- None of the members of the Board of Directors, proposed members of the Board of Directors, Senior Management officers or the Secretary of the Board with an administrative or supervisory post has been subject to any insolvency during the last five years.
- None of the members of the Board of Directors has been declared bankrupt.
- The Company has not issued any debt instruments or declared the issuance of such instruments.
- All key facts of the Company and its financial performance have been disclosed in this Prospectus, and there are no other facts the omission of which would make any statement herein misleading.
- There is no intention to materially change the nature of the Company's activities.
- Notwithstanding the disclosure contained in Section 14.5.1 "Related party transactions" of this Prospectus, there is no contract or any arrangement in effect or contemplated at the time of development of this Prospectus whereby any of the members of the Board of Directors, Senior Management or relatives thereof gain some interest in the Company's business.
- The audited financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and audited in conformity with SOCPA-approved accounting standards. The Board of Directors declares that all information was fairly disclosed.
- The Company does not grant any cash loans or collaterals to loan to any of the members of its Board of Directors or a third party in compliance with Article 71 of the Companies Law.
- Notwithstanding the disclosure contained in Section 7 "Capitalization and Indebtedness" herein, no potential liabilities shall be incurred by the Company. Furthermore, the Company did not provide any guarantees for any other parties.
- Notwithstanding the disclosure contained in Section 14 "Legal Information" herein, there are no mortgages, encumbrances or rights on the Company's properties up to the date of this Prospectus.
- They are not engaged in competition against the Company's business or any dealings with related parties.
- They are in strict compliance with Article 69 and 70 of the Companies Law and the relevant provisions, particularly Article 18, of the Corporate Governance Regulations.
- The Company's by-laws does not grant any power enabling a Director, Senior Management or the Board's Secretary to vote on a contract or proposal in which they have a personal interest.
- The Company's by-laws does not grant any power enabling a Director, Senior Management or the Board's Secretary to vote on the remuneration granted to them.
- The Company's by-laws does not grant any power enabling a Director, Senior Management or the Board's Secretary to borrow from the Company.
- The members of the Board of Directors declare that the Company has not been affiliated to any group and has no business activity outside the Kingdom of Saudi Arabia. The Company, as of the date of this Prospectus, has no subsidiaries or sister companies inside or outside the Kingdom.
- There are no policies pursued or critical information in relation to research and development of new products and production processes applied during the three financial years immediately preceding the date of this Prospectus. Currently, there are no existing or proposed employment contracts for the Board of Directors members as of the date of this Prospectus.
- The members of the Board of Directors declare that there are no amendments to the Company's capital by increase or decrease within the last three years immediately after the date of submitting the listing and admission application and acceptance of the listing for the Rights Issue Shares.

- The members of the Board of Directors declare that the Company is processing the revision of the translation of all insurance policies in compliance with Article 52 of the Implementing Regulations of the Insurance Companies Control Law.
- The members of the Board of Directors declare that all contracts that may affect the decision of subscribers to subscribe for the Company's Shares have been disclosed.
- The members of the Board of Directors declare that all terms and conditions that may affect the decision of subscribers to subscribe for the Company's Shares have been disclosed.
- The members of the Board of Directors declare that all operations, contracts and transactions with related parties have been disclosed.
- The members of the Board of Directors declare that there is no intention to enter into any contracts with related parties.
- The Company's Shareholders whose names appear on Page (45) of this Prospectus are the legal and beneficial owners of the Company.
- The members of the Board of Directors declare that there is no conflict of interest in the activity of the Company with any member of the Board of Directors.
- The internal control, accounting and IT systems controls have been prepared on sound foundations; the Company has developed a written policy governing conflicts of interest and addressing potential conflicts, including misuse and abuse of assets resulting from transactions with related persons. This in addition to ensuring the safety of financial and operational systems and ensuring the application of appropriate supervisory risk management systems according to the requirements of Article 10 of the Corporate Governance Regulations. Furthermore, the Board reviews the effectiveness of the internal control procedures annually.
- The Company does not have any employee share program in place or any other arrangements through which it engages employees in the Company's share capital.

Directors' declarations related to the financial statements:

- The members of the Board of Directors declare that Section 6 "Management's Discussion and Analysis of Financial Condition and Results of Operations" was prepared by the Company's Management and approved by its Board of Directors. The members of the Board of Directors declare that there is no change that may have a material impact on the financial statements and future forecasts as of the date of this Prospectus.
- The Board of Directors declares that it is fully responsible for the accuracy and credibility of financial information and analyses, and confirms it has taken all required measures and procedures and made full and fair discourses. There is no information or other papers whose omission may cause these financial data and information to be misleading in any way.

## 13. Summary of the Company's by-laws

The Company's by-laws include the items listed below. This Summary must not be relied on instead of the complete version of the by-laws which will be available for inspection at the Company's head office. There are many procedures that require SAMA's approval including but not limited to increase or decrease of capital, distribution of dividends, transfer of Founding Shareholder' shares, mergers with other companies, company liquidation and appointment of directors.

### Incorporation

According to the Provisions of the Cooperative Insurance Control Law, the Companies Law and their Implementing Regulations, and the by-laws, a Saudi Joint Stock Company shall be incorporated among the Shareholders in accordance with the following terms:

### Company Name

Wataniya Insurance Company (a Saudi joint stock company)

### Objectives of the Company

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, 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 may be required for achieving its objectives whether with respect to insurance or investing its funds or to own, dispose of, transfer, sell, replace or lease moveable and fixed assets whether directly or indirectly through subsidiaries or purchased or associated entities.

The Company may acquire or have interest, or participate in any way with the institutions conducting similar activities or financial activities and which help the Company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia.

### Head Office

The Company head office is located in Jeddah and may be relocated to any other city in Saudi Arabia pursuant at a decision of the Extraordinary General Assembly and after obtaining SAMA's approval. The Company may also, after obtaining SAMA's approval, open branch or agency offices inside or outside Saudi Arabia.

### Duration of the Company

The term of the Company shall be ninety-nine Gregorian years commencing on the date of issuance of a resolution by the Minister of MOCI declaring its incorporation. The term of the Company may be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

### Share Capital

The share capital of the Company is (SAR100,000,000) one hundred million Saudi Riyals divided into ten million (10,000,000) equal Shares, each with a nominal value of (SAR10) ten Saudi Riyals.

### Decrease of Capital

The Extraordinary General Assembly Meeting, subject to the approval of the competent authorities may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. 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 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 object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### Transferability of Shares

The shares shall be transferable in accordance with the rules, regulations and directives issued by CMA. As an exception to the foregoing, the cash shares subscribed to by the founding shareholders shall not be transferable before publishing the

balance sheet and the profit and loss statement for two full fiscal years, each consisting of twelve months from the date of incorporation of the Company. Such provisions shall apply to any shares subscribed for by the founding shareholders in case of increasing the Company's capital before the lapse of the restriction period. However, cash share may be transferred during the restriction period in compliance with the rights selling provisions from one founder to another or to any Board member to serve as qualification shares or from the heirs of any Founding Shareholders to any third party in case of death.

### **Right to Attachment of Shares**

The Board of Directors is entitled, after the competent authorities' approval, when exercising the right for attachment of shares offered as a guarantee from the members of the Board in exchange for contracts that arise between them and the Company, to sell them provided that the debt is due for payment and after a second call sent by registered mail to the debtor, the owner of the shares, asking him to pay the debt within two weeks. If he fails to do so, the Board shall be entitled to sell them through the "Exchange" and repay the price of the shares sold to settle all debt and obligations required by the Company. The balance (if any) shall be paid to the shareholder, his sponsor, will administrator or heirs.

### **Board of Directors**

The Company shall be managed by a Board of Directors consisting of ten (10) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall not prejudice the legal person's right to replace its representative in the Board. As an exception to the foregoing, the Constituent Assembly shall appoint the first Board of Directors for a term of three years commencing from the date of the Ministerial Resolution declaring the incorporation of the Company.

### **Technical Services Management Agreement**

The Company may, after obtaining SAMA's approval, conclude a technical service management agreement with one or more of the qualified companies in the insurance industry for five renewable years or for other terms as decided by the Board.

### **Vacancies in the Board of Directors**

The membership of a Board member shall expire with the expiry of the term of his appointment, resignation, death or if the Board has evidence that a such member has breached his duties in a manner that prejudices the Company's interest, provided this is coupled with the General Assembly's approval; expiry of his membership in accordance with any applicable regulation or directive in Saudi Arabia; absence from more than three consecutive meetings without acceptable reason to the Board of Directors; if a judgment issued declaring his bankruptcy or insolvency; if he submits a petition for settlement with his creditors; if he ceases to pay off his debts; if he becomes comatose; if he suffers from a mental illness; if he commits an act of dishonesty and immorality or is convicted of fraud. If the position of a Board member becomes 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 new Director shall complete the unexpired term of his predecessor. In the event that there is a shortage in 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 members.

### **Powers of the Board**

Subject to the powers reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its authority, delegate to one or more of its members or other parties the power of performing certain work or works. The powers of the Board of Directors shall include, but are not limited to, representing the Company in its relationship with third parties, government and private entities, before all Shariah courts, the Board of Grievances, labor offices, higher and preliminary committees for settlement of labor disputes, the offices and committees for the settlement of commercial papers disputes, all other judicial committees, arbitration panels, the Civil Rights Authority, police stations, the chambers of commerce and industry, all companies, establishments, commercial banks, treasuries, all government funds and financing institutions of all designations and competence as well as other lenders. The Board of Directors shall have the right to recognize, claim, defend, plead, litigate, assign, conciliate, accept judgments and deny them, arbitration, request and oppose the execution of judgments, receive the amounts collected from execution, discharge the company's debtors of their duties, enter tenders and purchase, sell, and mortgage real estate. The Board may also contract and sign in the name of and on behalf of the Company on all types of contracts and documents, including but not limited to the by-laws of companies in which the Company participates, together with all amendments and supplements thereof and resolutions to amend, sign agreements and deeds before the notary public and official entities, as well as loan agreements, guarantees, securities, powers of attorney on behalf of the Company, buy, sell, divide and accept them, receive, hand over, lease, rent, cash, pay, open accounts and credit, draw down and deposit at banks, issue security to banks, funds and government financing institutions, and sign all papers, bonds to order, cheques, all commercial papers and deeds and all banking transactions.

## **The Board's Remuneration**

The remuneration of the Chairman of the Board for performing his duties shall be (SAR180,000) one hundred eighty thousand Saudi Riyals per annum. The remuneration of each Director for performing their respective duties shall be (SAR120,000) one hundred twenty thousand Saudi Riyals per annum. The Chairman and each Director shall be paid (SAR3,000) three thousand Saudi Riyals for attending each Board meeting and an amount of (SAR1,500) one thousand five hundred Saudi Riyals for attending each meeting of the Board Committees. The Company shall also reimburse the Chairman and each Director for the actual expenses they incurred to attend Board and Board Committees meetings, including travel and accommodation expenses. In any event, the total remuneration of the Chairman and the Directors may not exceed 5% of the net profits. The Company shall ensure that all written details of the proposed remuneration and reimbursement are provided to the Shareholders prior to the date of the Ordinary General Assembly where the matter will be discussed and voted on. The Company shall ensure the approval of the Ordinary General Assembly on the Numerations and Indemnities' terms in a general assembly in which the concerned board member shall not have the right to vote on such terms. The remuneration of the Board members may be amended subject to approval of the EGM of Shareholders.

## **Chairman, Managing Director and Secretary**

The Board of Directors shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from among the members of the Board. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company and implement Board resolutions. The Chairman and Managing Director shall represent the Company before judicial bodies and third parties, and both have the right to deputize third parties to carry out specific assignments. The Managing Director shall be responsible for the executive management of the Company. The Board shall fix the salaries, allowances and remunerations of both the Chairman and the Managing Director according to Article 17 of the by-laws. The Board of Directors may appoint a Secretary and may appoint advisors in various areas as well as fix their remunerations.

## **Board Meetings**

The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board may meet outside the head office of the Company. The Board shall meet four times within a financial year provided the period between meetings should not exceed four months.

## **Quorum for Board meetings**

A meeting of the Board shall not have a quorum unless attended by at least two-thirds of its members in person or by proxy, provided that the members attending in person shall not be less than four members, subject to what is laid out in Article 15 of the by-laws. A Board member may delegate another Board member to attend the Board meeting and vote therein on his behalf.

## **Board Resolutions**

The Board's resolutions shall be passed unanimously, and in case of dispute by a two-thirds majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation, unless a member requests a meeting in writing to conduct further deliberation on such a resolution, in which case, the resolutions will be presented to the Board in its next meeting. Any member of the Board of Directors who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee of his interest in the presented matter. Such a member must refrain from voting and deliberating on that matter without the need of excluding him from the number of attendees for the quorum purposes.

## **Minutes of the Board Meetings**

Minutes of the Board's deliberations and resolutions shall be recorded and signed by the Chairman and the Secretary and kept in a special register signed by both the Chairman and the Secretary.

## **Audit Committee**

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5), who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry) and the CMA.

## **Executive Committee**

The Board shall form an Executive Committee consisting of no less than three (3) members and no more than five (5) members. The Chairman of the Executive Committee, who will chair its meetings, shall be appointed from its members. In the absence of a chairman, the committee shall elect an interim chairman from among the attending members. A member of the Executive Committee may appoint another member to vote at three Executive Committee meetings only. The term of the executive committee shall be the term of the Board, and the Board shall fill any vacancy in the Executive Committee.

## **General Meetings**

General Meetings of Shareholders in a General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each shareholder, no matter of the shares he holds, shall have the right to attend the conversion General Meeting in person or by proxy and vote thereat. Each shareholder having title to at least 20 shares shall have the right to attend the Ordinary or Extraordinary General Meeting. A shareholder may delegate another shareholder who is not a director or officer of the Company to attend the General meeting on his behalf by means of proxy.

## **Ordinary General Assembly**

The Ordinary General Assembly shall be valid only if attended by shareholders representing at least one half of the Company's share capital. If this quorum is not met at the first meeting, a notice shall be sent for a second meeting to be held within thirty (30) days following the previous meeting and the notice shall be sent in the manner prescribed by Article (88) of the Companies Law and the second meeting shall be deemed valid irrespective of the number of shares represented thereat.

## **Extraordinary General Assembly**

The Extraordinary General Assembly shall be valid only if attended by shareholders representing at least one half of the Company's share capital. In case this quorum is not attained as prescribed earlier, a notice shall be made for a second meeting. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the share capital.

## **General Assembly Resolutions**

Resolutions of the Constituent Assembly and General Assembly shall be passed by an absolute majority vote of the Shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least two-thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior the term stated in its by-laws, or merging the Company with another company or establishment, then such a resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

## **Auditor**

The General Assembly shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. It shall determine their fees and may reappoint them.

## **The Company's Books**

The auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as they deem necessary. They may further check the Company's assets and liabilities.

## **Reports**

The Auditors shall submit an annual report to the General Assembly elaborating the Company's management position with respect to enabling them to obtain the data and clarifications that they require or any violation of the Companies Law or the Company's by-laws that they may have detected. The Auditors shall also state whether or not the Company accounts accurately reflect its data.

## **Financial year**

The financial year of the Company shall start on the first of January and end on the thirty-first of December of the same year. However, the first financial year of the Company shall start on the date of the Ministerial Resolution declaring its incorporation until 31 December of the next year.

### **Distribution of Dividends**

The Shareholder's profits shall be distributed as follows: (1) Zakat and income tax allocations are to be set aside; (2) 20% of the net profits shall be withheld to form a statutory reserve; the Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches one hundred percent of the paid-up capital; (3) 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 allocated for specific purposes decided by the Ordinary General Assembly; (4) out of the balance of the profits, there shall be paid to the Shareholders an initial payment of not less than 5% of the paid-up capital, (5) the balance shall be distributed among the Shareholders as a share in the profits or transferred to the retained earnings account; and (6) by resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with the applicable rules and regulations issued by the competent authorities.

### **The Company's Losses**

If the total of the Company's losses amount to three-quarters of its capital, the members of the Board of Directors shall call an Extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified under Article (5) of the by-laws. In all cases, the Assembly's resolution shall be published in the Official Gazette.

### **Dissolution of the Company**

The Company will end with the expiration of its term as per the by-laws and the Companies Law. Upon expiry of the Company's term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the Board of Directors, will decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

### **Terms**

Everything not covered under this By-Laws shall be subject to the terms of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law, and the CMA Law and its Implementing Regulations.



## 14. Legal Information

### 14-1 Incorporation, Licenses and Permits under which the Company Operates

Wataniya Insurance Company (hereinafter “Company” or “Wataniya”) is a Saudi public joint stock company founded pursuant to Royal Decree No. M/53 dated 21/10/1430H (corresponding to 10/10/2009G), in accordance with Council of Ministers Resolution No. 330 dated 16/10/1430H (corresponding to 05/10/2009G), and registered under Commercial Registration number 4030200981, dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah.

The Company's current share capital is (SAR100,000,000) one hundred million Saudi Riyals consisting of (10,000,000) ten million shares with a nominal value of (SAR10) ten Saudi Riyals per share. The founding shareholders subscribed for (7,000,000) seven million shares (70%) of the Company's shares, while the remaining (3,000,000) three million shares (30%) were publicly offered. The offering was in accordance with the Laws and Regulations issued by the CMA, and was conducted from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G), with an Offer Price of (SAR10) ten Saudi Riyals per share. The Company's shares had been listed in and traded on The Saudi Stock Exchange (Tadawul) on 23/06/1431H (corresponding to 06/06/2010G).

The Company's Board of Directors recommended on 26/06/1436H (corresponding to 15/04/2015G) that the Company's capital be increased from (SAR100,000,000) one hundred million Saudi Riyals to (SAR200,000,000) two hundred million Saudi Riyals after obtaining the necessary regulatory approvals. The Company also obtained final approval from SAMA pursuant to letter No. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G) to increase its capital by (SAR100,000,000) one hundred million Saudi Riyals through a Rights Issue.

The Company is registered under Commercial Registration number 4030200981 dated 01/06/1431H (corresponding to 15/05/2010G) in Jeddah.

The Company operates a cooperative insurance business under SAMA's supervision, which is the supervisory and regulatory authority of the insurance market in the Kingdom of Saudi Arabia and is responsible for applying and enforcing the Cooperative Insurance Companies Control Law and its Implementing Regulations.

The Company's head office is located in the E.A. Juffali & Brothers building, Madinah Road, Kilo 6. Its mailing address is P.O. Box 5832, Jeddah 21432, Saudi Arabia. In addition to the head office, the Company operates two other offices, one of which is located in Riyadh (Al Umam Commercial Center, Suite 303, mailing address P. O. Box 86, Riyadh 11411, KSA) and the other one is in Al Khobar (Fluor Arabia building, Al Khobar-Dammam Highway, mailing address is P.O. Box 1933, Al Khobar 3195, KSA). Until the date of this Prospectus, no separate commercial registration certificates have been issued for those offices, and the Company has not obtained SAMA's approval for them. Accordingly, the Company may be exposed to the sanctions provided for in the Fines and Sanctions Regulations for Municipal Infractions, which impose a fine ranging from (SAR1,000) one thousand Saudi Riyals as a minimum to (SAR5,000) five thousand Saudi Riyals as a maximum and up to office closure. In addition, the Company may be exposed to the sanctions provided for in the Commercial Registration Law, which impose a fine of no more than (SAR50,000) fifty thousand Saudi Riyals. Finally, the Company may also be exposed to the sanctions provided for in the Cooperative Insurance Companies Control Law, which impose a fine of no more than (SAR1,000,000) one million Saudi Riyals, no more than four years of imprisonment, or both sanctions. According to the Company, implied consent in that regard has been obtained from SAMA when SAMA approved the Company's action plan, which included operating across the Kingdom, upon incorporation.

The following is a summary of the main licenses obtained by Wataniya to conduct its business in KSA.

**Table 130: Summary of main licenses obtained by Wataniya Company to conduct its business in KSA.**

License/Permit	License Number	Issuing Authority	Date of Issue	Expiration Date	Purpose
Royal Decree	M/53	Royal Diwan	21/10/1430H (corresponding to 10/10/2009G)	N/A	Granting the Company's incorporation license
Ministerial Resolution	330	Council of Ministers	16/10/1430H (corresponding to 05/10/2009G)	N/A	Granting the Company's incorporation license
Commercial Registration Certificate	4030200981	Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry)	01/06/1431H (corresponding to 15/05/2010G)	01/06/1438H (corresponding to 28/02/2017G)	Registering the Company with the Ministry of Commerce and Investment's Commercial Registration Office in Jeddah



License/Permit	License Number	Issuing Authority	Date of Issue	Expiration Date	Purpose
License to practice insurance and reinsurance	(TMN/ 29/201/06)	SAMA	04/07/1431H (corresponding to 16/06/2010G)	02/07/1440H (corresponding to 09/03/2019G)	SAMA's approval to practice insurance and reinsurance in the Kingdom
Foreign investment license - service	112730128101-01	General Authority for Investment	26/01/1426H (corresponding to 07/03/2005G)	19/12/1438H (corresponding to 10/09/2017G)	Approval of the General Authority for Investment to practice insurance in the Kingdom
Social Insurance Certificate	19857077	General Organization for Social Insurance	17/04/1437H (corresponding to 27/01/2016G)	17/10/1437H (corresponding to 22/07/2016G)	Company compliance with the Regulations of the General Organization for Social Insurance
Zakat and Income Tax Certificate (restricted)	10227	The General Authority for Zakat and Income Tax (formerly Department of Zakat and Income Tax)	19/05/1436H (corresponding to 26/03/2015G)	23/07/1437H (corresponding to 30/04/2016G)	Company compliance with the Regulations of the General Authority for Zakat and Income Tax, and a statement that the Company has submitted its annual declaration and met its obligations as to the payment of Zakat
Chamber of Commerce and Industry membership certificate	146999 Excellent degree membership certificate	Chamber of Commerce and Industry in Jeddah	30/01/1437H (corresponding to 12/11/2015G)	01/06/1438H (corresponding to 28/02/2017G)	Company compliance with the Commercial Registration Law, requiring the Company to be a member in the Chamber of Commerce and Industry
Municipality license	1100033610	Jeddah Municipality	08/11/1434H (corresponding to 14/09/2013G)	07/11/1437H (corresponding to 10/08/2016G)	Registering the Company in Jeddah Municipality
Saudization Certificate	20001605013820	Labor and Social Development (formerly the Ministry of Labor)	02/08/1437H (corresponding to 09/05/2016G)	06/11/1437H (corresponding to 09/08/2016G)	The Company's compliance with the required Saudization rates

Source: The Company

\* As of the date of this Prospectus, no Municipality licenses nor Chamber of Commerce and Industry membership certificates have been issued for the Company's offices in Riyadh and Al Khobar, as those offices have no separate commercial registration certificates.

The following is a summary of approvals for insurance products provided by Wataniya

**Table 131: Summary of approvals for insurance products provided by Wataniya**

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
1	Motor Third Party Liability Insurance	Motor third party liability insurance provides for a compensation to the insured and the authorized driver or their legal heirs for third party liability in case of death, personal injury or property damage	19/05/1434H	N/A
2	Car Dealer Insurance (external risks)	Loss or damage of cars and the accidents resulting therefrom or related thereto	19/05/1434H	N/A
3	Comprehensive Private Cars Insurance	Loss or damage of cars specified in insurance policy	19/05/1434H	N/A
4	Comprehensive Commercial Cars Insurance	Loss or damage of cars specified in insurance policy	19/05/1434H	N/A

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
5	Hull Insurance Policy	Insurance for ship hulls, materials, engines, machinery and all that is related thereto as described in the policy's table; third party liability and legal liability to passengers	25/11/1431H	N/A
6	Marine Cargo Insurance (open)	Covers the insured's interest in goods and also extends to cover the interest of any other party to which the insured has transferred such interest by transfer of ownership of goods to him, as specified in the sale conditions	25/11/1431H	N/A
7	Marine Cargo Insurance (for a single cargo)	Loss or damage of goods based on the level and manner provided for in the insurance policy	25/11/1431H	N/A
8	Land Cargo Insurance Policy (all risks)	Loss, damage or destruction of goods, for any reason, during crossing a geographic area specified in the table and unloading from any mean of transportation specified in the table or during loading them on any means of transportation specified in the table or during temporarily loading them on that means of transportation, or as the client chooses to fix or replace the damaged goods	25/11/1431H	N/A
9	Land Cargo Insurance (road risks)	Loss or damage resulting from fire, collision, overturn, deviation, collapse of bridges or similar accidents during transporting goods by truck and/or train	25/11/1431H	N/A
10	Glass Breakage Insurance	If the insured glass is broken, the Company pays to the insured the replacement value of the broken glass, or replaces it with a glass of the same quality	16/12/1431H	N/A
11	Money Insurance	Loss of money belongs to or under the responsibility of the insured, loss or damage of safes containing the money, damage of clothes of the insured's managers or employees as a result of theft or an attempt of theft during holding the money belonging to the insured	24/12/1431H	N/A
12	Personal Accident Insurance (individual)	If the insured is subjected to physical injury (including death or permanent or temporary disability) during the insurance period, the Company will pay him a financial compensation to be calculated according to the table.	11/01/1433H.	N/A
13	Work Injury Compensation Insurance	If a direct employee of the insured sustains a personal injury resulting from and during work	25/02/1432H	N/A
14	Burglary Insurance	Loss or damage of work property, including but not limited to trading and office equipment, due to burglary or an attempt of threatening accompanied by forced, actual and violent breakage inside or outside the building	22/11/1431H	N/A
15	Fidelity Insurance	Loss of money or goods due to any deception, fraud or dishonesty by staff	16/12/1431H	N/A
16	Personal Accident Insurance (group)	Loss or damage to a direct employee of the insured during service, if exposed to a physical injury due to a violent accident	06/04/1433H	N/A
17	Life Insurance (group)	Life insurance for dependents if the insured party is deceased	13/01/1434H	N/A
18	Life Insurance (individual)	Provides life insurance coverage for a year, half a year, three months or a month.	08/03/1433H	N/A

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
19*	Machinery Breakdown Insurance	Loss of business in the places specified in the table due to an incident affecting any of the machinery listed in the insured machinery list	26/03/1437H	01/10/1437H
20*	Comprehensive Housing Insurance	Loss or damage of personal effects in any private residence, hotel, inn, drop-in center, club, hospital, school or workplace in which the insured or any of his family member exist for the purpose of residence or work at the time of the loss or damage	26/03/1437H	01/10/1437H
21*	Fire Insurance	Insurance for property in case of exposure to destruction, damage or harm due to a fire or lightning, whether it is accompanied by a fire or not	26/03/1437H	01/10/1437H
22*	Business Interruption Insurance	Accidental/material loss or damage of any building or other property used by the insured for business purposes, resulting in an interruption of the business conducted by the insured	26/03/1437H	01/10/1437H
23*	Contractor Risk Insurance	Material, unexpected and sudden loss or damage resulting from any cause, except for those specifically excluded, which require repair or replacement	26/03/1437H	01/10/1437H
24*	Contractor Plant and Machinery Insurance	Material, unexpected and sudden loss or damage resulting from any specifically non-excluded causes, which require repair or replacement	26/03/1437H	01/10/1437H
25*	Refrigerators Inventory Damage Insurance	Covers loss or damage of material preserved in stores due to sudden or unexpected machinery breakdown	26/03/1437H	01/10/1437H
26*	Electronic Equipment Insurance	Loss or damage of equipment	26/03/1437H	01/10/1437H
27*	Installation Risk Insurance	Material, unexpected and sudden loss or damage resulting from any causes, requiring repair or replacement, as well as accidental physical injury or illness to any other party (whether fatal or not) and the loss of or damage to the property of others	26/03/1437H	01/10/1437H
28*	Extended Warranty Insurance	Loss or damage of cars due to a mechanical and/or electrical failure	26/03/1437H	01/10/1437H
29*	All Risk Insurance	Loss or damage of home or personal effects due to (a) fire, lightning, theft, home invasion, burglary, embezzlement, or (b) an accident or unexpected event	26/03/1437H	01/10/1437H
30*	Professional Liability Insurance (Medical Errors)	Patient's physical injury or death	26/03/1437H	01/10/1437H
31*	Professional Liability Insurance (for Architects)	Covering the insured and its staff in case of violation of professional duties as specified in the table	26/03/1437H	01/10/1437H
32*	Machinery Breakdown Insurance	Material loss or damage that requires repair or replacement	26/03/1437H	01/10/1437H
33*	Civil Liability Insurance	Insurance for all the amounts the insured becomes legally responsible for paying in relation to accidents inside KSA that lead to death, physical injury, illness of someone, or loss of or damage to property	26/03/1437H	01/10/1437H
34*	Property Insurance (all risks)	Covers loss, damage or destruction of property.	26/03/1437H	01/10/1437H

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
35*	Comprehensive Banking Insurance	A bank-specific policy that covers risks related to staff dishonesty, theft and robbery, money transfers, fraud or misrepresentation and currency forgery	26/03/1437H	01/10/1437H
36*	Terrorism Risk Insurance	Material loss or damage as a result of a terrorist act	26/03/1437H	01/10/1437H
37*	Travel Accident Insurance	Insurance against risks related to traveling, including loss or damage or accidental or external visible physical injury, caused by violent means, and necessary expenses incurred as a direct result of the death of the insured person or exposure to a physical injury or illness	26/03/1437H	01/10/1437H

Source: The Company

\* Temporary approvals will expire after six (6) months from SAMA's approval date, after which the Company will apply to SAMA to extend the approvals for a similar period.

## 14-2 Substantial Shareholders

The following table shows the Substantial Shareholders who directly own 5% or more of the Company's Shares as of the date of this Prospectus.

**Table 132: Substantial Shareholders who directly own 5% or more of the Company's Shares as at the date of this Prospectus**

Shareholder's Name	Nationality	No. of Shares	Nominal Value (SAR)	Ownership (%)
Saudi National Insurance Company BSC	Bahrain	2,750,000	27,500,000	27.5%
Saudi Hollandi Bank	KSA	2,000,000	20,000,000	20%
Neue Rückversicherungs-Gesellschaft (NewRe)	Switzerland	1,000,000	10,000,000	10%
E.A. Juffali & Brothers	KSA	500,000	5,000,000	5%

Source: The Company

It should be noted that there are indirect shareholders in the Company in accordance with subsection 4.11 "Substantial shareholders of the Company who own 5% or more of its Shares" of this Prospectus.

## 14-3 Board of Directors and Committees

### 14-3-1 Board of Directors

Pursuant to the Company's by-laws, the Company shall be managed by a Board of Directors consisting of (10) members appointed by the Ordinary General Assembly for a period of no more than (3) years pursuant to the conditions and standards provided in the Company's by-laws and Governance Regulations and after obtaining the approval of SAMA.

As at the date of this prospectus, the Board of Directors consists of the following members:

**Table 133: Board Members**

Name	Position	Age	Nationality	Membership Status	Representing	Date of last SAMA approval	Shares Held			
							Direct Shares	Direct Shares	Indirect Shares	Indirect Percentage
Hatem Ali Juffali <sup>(1)</sup>	Chairman	57	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	17/03/2013G	150,000	1.5000%	108,703	1.0870%
Bernd Aloys Kohn <sup>(2)</sup>	Member	45	German	Non-executive Non-independent	Neue Rückversicherungs-Gesellschaft (NewRe)	27/02/2016G	-	-	-	-
Amin Mousa Afifi <sup>(3)</sup>	Member	56	Saudi	Non-executive Non-independent	Saudi National Insurance Company BSC	27/02/2016G	-	-	-	-
Bernd van Linder <sup>(4)</sup>	Member	47	Dutch	Non-executive Non-independent	Saudi Hollandi Bank	17/03/2013G	-	-	-	-
Husam Abdul Rahman Alkhayal <sup>(4)</sup>	Member	44	Saudi	Non-executive Non-independent	Saudi Hollandi Bank	22/06/2015G	-	-	-	-
Faisal Mohammed Charara	Member	51	Saudi	Non-executive Non-independent	E.A. Juffali & Brothers	03/01/2015G	2,000	0.0200%	-	-
Osama Abdullah El Khereiji	Member	56	Saudi	Non-executive Independent	Public	17/03/2013G	1,417	0.0142%	-	-
Hussein Saeed Akeil	Member	44	Saudi	Non-executive Independent	Public	17/03/2013G	6,000	0.0600%	-	-
Faisal Mahmoud Al-Atabani	Member	50	Saudi	Non-executive Independent	Public	17/03/2013G	1,000	0.0100%	-	-
Omar Sohail Bilani <sup>(5)</sup>	Member	56	Canadian	Non-executive Independent	Public	17/03/2013G	-	-	-	-

Source: The Company

(1) Hatem Ali Juffali owns 4.3590% of E.A. Juffali & Brothers, which holds a share of 5.0000% in the Company. E.A. Juffali & Brothers also holds a share of 72.5000% in Saudi National Insurance Company BSC, which, in turn, owns a share of 27.5000% in the Company. Thus, Hatem Ali Juffali's indirect share in the Company is:  $(4.3590\% \times 5.0000\%) + (4.3590\% \times 27.5000\% \times 72.5000\%) = 1.08703\%$ . Hatem Ali Juffali has no executive role in E.A. Juffali & Brothers.

(2) Swiss company Neue Rückversicherungs-Gesellschaft (NewRe) made representations to allocate 1,000 membership shares of its shares to its representative as qualification shares.

(3) Allocation of 1,000 membership shares to Amin Mousa Afifi is underway.

(4) Saudi Hollandi Bank made representations to allocate 1,000 membership shares of its shares to each of its representatives as qualification shares.

(5) Omar Sohail Bilani's membership status was changed to independent member subject to SAMA's approval on 30 September 2014G. E.A. Juffali & Brothers made representations to allocate 1,000 membership shares of its shares to Omar Sohail Bilani as qualification shares, until the required membership shares are paid by him, which does not contradict with the Companies Regulations and the Company's by-laws.

According to Article (68) of the Companies Regulations, each member of the Board of Directors must own a number of shares whose value shall not be less than ten thousand Saudi Riyals, which shall be set aside as a guarantee for the member's liability.

According to Article 38 (1) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, no Director shall own more than 5% of the Company's shares. Except as stated in this Prospectus, none of the Directors, the Executive Management, or the Secretary of the Board or any of their relatives have any direct or indirect interest in Wataniya as of the date of this Prospectus.

On 05/05/1434H (corresponding to 25/03/2013G), SAMA issued its approval to appoint members to Wataniya's Board of Directors. Pursuant to Article (21) of the Company's by-laws, the Board has complied with the minimum number of required meetings, as four (4) meetings were held in the years 2013G, 2014G and 2015G.

The Board's term expires on 25/03/2016G. On 19/05/1437H, a letter of no objection was issued by SAMA with regards to the nomination of the members of the Board of Directors for the next cycle beginning on 15/06/1437H (corresponding to 24/03/2016G), and the General Assembly's approval was obtained at its meeting held on 19/07/1437H (corresponding to 26/04/2016G) with regard to the election of the Board of Directors for the next cycle beginning on 15/06/1437H (corresponding to 24/03/2016G). Approval has been obtained for the Board's resolutions passed between 25/03/2016G and the date of this General Assembly meeting.

### 14-3-2 Independent Directors

The Company's Board of Directors has four (4) independent Directors. Pursuant to the Corporate Governance Regulations issued by CMA, as amended, an "Independent Director" is a Director who enjoys complete independence. By way of example, inter alia, the following shall constitute a full infringement of such independence:

- If the Director owns five percent (5%) or more of the Company's Shares or of any company in its group;
- If the Director is a representative of a legal person that owns five per cent (5%) or more of the Shares of the Company or any company in its group;
- If the Director, during the preceding two years, has been a senior executive of the Company or any other company within the Company's group;
- If the Director is a first-degree relative of any Director of the Company or of any other company within the Company's group;
- If the director is a first-degree relative of any senior executive of the Company or of any other company within the Company's group;
- If the director is a Director of any company within the Company's group and is nominated to be a Company Director; or, inter alia,
- If the Director, during the preceding two years, has been an employee of an affiliate of the Company or an affiliate of any company within its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, had a controlling interest in any such party. Therefore, a Director to whom any of the above cases applies shall not be an independent Director.

### 14-3-3 Non-Executive Directors

The Company's Board of Directors consists of ten (10) non-executive Directors. Pursuant to the Corporate Governance Regulations issued by CMA, a "Non-Executive Director" is defined as follows:

A member of the Board of Directors who does not have a full-time management position at the company, or who does not receive a monthly or yearly salary.

With regard to the formation of the Board as provided in items (c & e) of Article 12 of the Corporate Governance Regulations, the majority of Directors of the Board must be non-executives and the independent members of the Board of Directors shall not be less than two members, or one-third of the members, whichever is greater. Accordingly, the Company has complied with the provisions of this Article as all of the ten Directors are non-executives, four of whom are independent Directors.

### 14-3-4 Board Committees

Currently, the Company has the following four (4) Board Committees:

- Executive Committee: This Committee currently consists of five (5) members as prescribed by subsection 5.6 "Board Committees" of this Prospectus. The duties of the Executive Committee include the following:
  - making recommendations to the Board of Directors with respect to the Company's operational and strategic plans;
  - making recommendations to the Board of Directors with respect to budgets and the business plan developed by the Company's management; and
  - making decisions, within the limits specified by the Board, with respect to matters assigned thereto by the Board of Directors which are beyond the competence of the Company's CEO, including matters related to capital expenses and acquisitions.

- **Audit Committee:** This Committee currently consists of three (3) members as prescribed by subsection 5.6 “Board Committees” of this Prospectus. The duties of the Audit Committee include the following:
  - supervising the Company’s Internal Audit;
  - reviewing and discussing the Company’s annual and quarterly financial statements; and
  - nominating and supervising external auditors and reviewing the performance of the Company’s external and internal audits.
- **Nomination and Remuneration Committee:** This Committee currently consists of four (4) members as prescribed by subsection 5.6 “Board Committees” of this Prospectus. The duties of the Nomination and Remuneration Committee include the following:
  - determining how to assess the Board’s performance; and
  - suggesting assessment standards for the Board’s performance, which are subject to approval by the Board.
- **Investment Committee:** This Committee currently consists of three (3) members as prescribed by subsection 5.6 “Board Committees” of this Prospectus. The duties of the Investment Committee include the following:
  - determining the Company’s investment mechanism; and
  - reviewing and supervising the performance of the Company’s investments.

## 14-4 Shares in Other Companies

Despite the fact that Wataniya has no affiliates or subsidiaries inside or outside KSA, it owns shares in one company conducting business related to insurance in the Kingdom, as described below:

### 14-4-1 Najm for Insurance Services

Najm for Insurance Services is a closed joint stock company with a capital of SAR50,000,080 incorporated in Riyadh, Saudi Arabia under commercial registration number No. 1010229751. Najm for Insurance Services provides services related to evaluating and assessing damage and claim settlement. Wataniya’s shareholding in Najm for Insurance Services is as follows:

**Table 134: Company’s ownership in other companies**

The Company	No. of Shares	Nominal value per share (SAR)	Total nominal value (SAR)	Ownership (%)
Najm	192,308	10	1,923,080	3.85%

Source: The Company

Wataniya does not enjoy any special or preferential rights in Najm for Insurance Services and is not involved in its management, business or operations.

In addition to the Company’s ownership in Najm for Insurance Services, Wataniya has concluded a technical service agreement with Najm dated 24/02/2014G as detailed in subsection 14.5.4 “Service Agreements” of this Prospectus.

## 14-5 Material Agreements

Within the framework of its regular business, Wataniya has concluded a range of material agreements in connection with the following matters:

- Related party transactions
- Investment management agreements
- Intermediation agreements
- Service agreements
- Reinsurance arrangements

### 14-5-1 Related party transactions

Wataniya has conducted transactions subject to the provisions and restrictions on related party transactions with the following parties with which it is related in some way:

#### **Memorandum of Understanding with the Saudi National Insurance Company BSC**

Wataniya has concluded a Memorandum of Understanding with the Saudi National Insurance Company BSC dated 14 October 2014G, by virtue of which Wataniya provides relevant conduct of business and operation management services on behalf of the Saudi National Insurance Company BSC. Currently, Wataniya is preparing a service agreement on a purely commercial basis with the Saudi National Insurance Company BSC to supersede and replace this MOU. It should be noted

that the Saudi National Insurance Company BSC is one of the Company's Substantial shareholders (please see subsection 14.2 "Substantial shareholders" of this Prospectus).

For the details of this MOU, see subsection 14.5.4 "Service Agreements" of this Prospectus.

#### **Service Agreement with E.A. Juffali & Brothers**

Wataniya has concluded a service agreement with E.A. Juffali & Brothers dated 12 January 2015G, by virtue of which E.A. Juffali & Brothers provides support and administrative and consulting services for Wataniya's IT infrastructure. It should be noted that E.A. Juffali & Brothers is one of the Company's Substantial shareholders (please see subsection 14.2 "Substantial shareholders" of this Prospectus).

For the details of this agreement, see subsection 14.5.4 "Service Agreements" of this Prospectus.

#### **Agency Agreement with Saudi Hollandi Insurance Agency**

Wataniya has concluded an agency agreement with Saudi Hollandi Insurance Agency dated 01/01/2012G to market and expand Wataniya's business and improve its insurance policy sales to corporations and individuals in KSA. It should be noted that Saudi Hollandi Insurance Agency is wholly owned by and affiliated with Saudi Hollandi Bank, which is one of the Company's Substantial shareholders (please see subsection 14.2 "Substantial shareholders" of this Prospectus).

For the details of this agreement, see the subsection 14.5.3 "Intermediation Agreements" of this Prospectus.

#### **Lease Contract with Ali Juffali for Real Estate and Ahmed Juffali Sons Company**

Wataniya has concluded a leasing agreement for its head office in Jeddah dated 01/01/2014 with Ali Juffali and Ahmed Juffali Sons for Real Estate. By virtue of this contract, Wataniya pays an annual rent of SAR1,298,700. It should be noted that Ali Juffali is a shareholder in E.A. Juffali & Brothers and the latter is one of the Company's Substantial shareholders. In addition, Ahmed Juffali Sons Company is a shareholder in E.A. Juffali & Brothers and the latter is one of the Company's Substantial shareholders (please see subsection 14.2 "Substantial shareholders" of this Prospectus).

For the details of this agreement, see the subsection 14.5.4 "Service Agreements" of this Prospectus.

#### **Insurance Policies**

Wataniya has issued, directly or through intermediaries, insurance policies for some Directors, Shareholders and parties related to Wataniya's Shareholders.

The following table shows the currently applicable insurance policies with Directors, Shareholders and Related Parties as of 31/12/2015G.

**Table 135: Insurance Policies with Directors, Shareholders and Related Parties**

Related Party	Insurance policy	Annual premium (Total)	Unpaid premiums (Total)
Hatem Ali Juffali	Machinery Breakdown Insurance Property All Risk Insurance Civil Liability Insurance Motor Insurance	SAR527,747	SAR4,500
Walid Ahmed Juffali	Comprehensive Housing Insurance Property All Risk Insurance Motor Insurance	SAR404,449	SAR4,613
Hussein Saeed Akeil	Comprehensive Housing Insurance Motor Insurance	SAR44,025	N/A
Habib Mohammed Albakree	Comprehensive Car Insurance Natural Risk Insurance Personal Accident Insurance - driver coverage Personal Accident Insurance - passenger coverage	SAR3,150	N/A



Related Party	Insurance policy	Annual premium (Total)	Unpaid premiums (Total)
E.A. Juffali & Brothers and its related parties	Machinery Breakdown Insurance	SAR55,135,750	SAR4,855,139
	Property All Risk Insurance		
	Civil Liability Insurance		
	Comprehensive Housing Insurance		
	Insurance against fire and lightning and risks related to earthquakes and eruptions		
	Burglary insurance through entry or exit by force		
	Money deposited in the safe and money during transport		
	Sabotage and Terrorism Insurance		
	Work Injury Compensation Insurance		
	Fidelity Insurance		
	Civil Liability Insurance		
	Marine Cargo Insurance		
	Land Cargo Insurance (open)		
	Comprehensive Car Insurance		
	Natural Risk Insurance		
	Personal Accident Insurance - driver coverage		
	Life Insurance (group)		
	Extended Warranty Insurance		
Saudi Hollandi Bank	Life Insurance (group)	SAR22,923,263	SAR1,021,366
	Comprehensive Banking Insurance Policy		
	Property Insurance		
	Professional Liability Insurance		

Source: The Company

Except for the aforementioned insurance policies and agreements, with respect to insurance policies that have not been submitted to the Shareholders' General Assembly for approval and the service agreement with Najm Company, Wataniya confirms that, until the date of this Prospectus, it has no business activity with related parties.

Wataniya and its Shareholders and Directors confirm their compliance with Articles (69) and (70) of the Companies Law and Article (18) of the Corporate Governance Regulations issued by CMA with respect to all agreements with the abovementioned related parties. Wataniya's General Assembly of the Shareholders, held in 2015G, has approved the agreements with the aforementioned related parties, except for the aforementioned insurance policies, which have not been approved by the Shareholders' General Assembly of Wataniya as of yet.

Except for the contracts and arrangements with the abovementioned related parties, the Company confirms that neither the Directors nor their relatives hold any direct or indirect interest in the Company, and that there are no other contracts concluded with any other related parties, including insurance policies that cover their business and assets.

Such contracts with related parties include the same terms and conditions applicable to the Company's customers without any discrimination between the abovementioned insurance policies and those provided by the company to its customers. The Company also confirms its compliance with the Insurance Market Code of Conduct Regulations issued by SAMA, except for Article (47) providing in the relevant part thereof that "no insurance policy shall be issued or renewed by the Company to any of its owners, Directors, Senior and Executive Managers, and their related parties except after the payment of the full premium (as per Article 49 of the Implementing Regulations)." The Article also provides that related parties shall be taken to mean "direct relatives, close family members, wives, husbands, children, parents, brothers, sisters, and any establishment in which any member of the Board of Directors has more than 5% interest."

Except as disclosed above, the Company confirms its compliance with the Implementing Regulations, the Companies Law and the Corporate Governance Regulations with respect to transactions with related parties.

## 14-5-2 Investment Management Agreements

Wataniya has concluded investment management agreements with both Brown Brothers Harriman ("Brown Brothers") and NCB Capital ("NCB Capital"). The purpose of these agreements is to manage Wataniya's investment portfolio according to the rules and regulations issued by CMA.

### **Brown Brothers Harriman**

On 23/03/2011, Wataniya entered into an investment management account agreement with Brown Brothers, by virtue of which Brown Brothers has been appointed as an investment manager to supervise and guide the investment management account.

The obligations of Brown Brothers under this Agreement are as follows:

- Brown Brothers has full authority to invest and reinvest the assets available in the account, with full authority to enter into any transactions on behalf of Wataniya as Brown Brothers deems fit; and
- Brown Brothers shall provide Wataniya with a periodic report on the investments including a list of assets in the account, a list of cash and securities transactions and the schedule of income generated in the account.

#### ***Fees and terms of payment:***

Service fees will depend on the market value of assets contained in the account as of the date of account evaluation, and they will be calculated initially based on the following percentages:

- Equity: 0.7% YoY
- Fixed income vehicles:
  - 0.5% YoY for the first USD10,000
  - 0.35% YoY for the second USD15,000
  - 0.2% YoY for the second USD25,000
  - 0.15% YoY for higher amounts.

Fees may be adjusted by Brown Brothers from time to time, provided that Wataniya is notified.

Brown Brothers will also receive a commission when it serves, itself or through an affiliate, as a broker in trading securities for the benefit of the Account.

All investment funds receive separate consulting and other fees, other than the fees mentioned above.

This Agreement may be terminated by Brown Brothers or Wataniya at any time by virtue of written notice provided at least thirty days in advance.

Any dispute arising from the agreement shall be referred to binding arbitration to be settled by the members of the Arbitration Committee of the New York Stock Exchange.

### **NCB Capital Company**

On 17/02/2013G, Wataniya entered into an investment management agreement with NCB Capital Company, under which NCB Capital shall act as an investment manager with absolute authority to invest, including the investment of assets and properties.

The obligations of NCB Capital under this Agreement are as follows:

- To undertake investment and re-investment management, at its discretion;
- To provide progress analysis for the companies in which Wataniya has investments, and to maintain good record keeping in accordance with the laws and regulations; and
- To provide Wataniya with reports and information, and to manage and evaluate investments reasonably identified by Wataniya, from time to time.

#### ***Fees and terms of payment:***

NCB Capital receives, on a quarterly basis, a fee for investment management of 0.40% of total assets payable within seven (7) working days from the end of the relevant quarter, as well as brokerage fees for each security transaction. Brokerage fees shall be reduced by 50% for each transaction from the investment manager's share of the commission published on Tadawul.

This agreement shall remain valid until it is terminated by either party.

The agreement is governed by the laws of the Kingdom of Saudi Arabia.

In addition to the above, the Company, on 11/06/1436H (corresponding to 31/03/2015G), participated in Alkhabeer Capital's Liquidity Fund "HASSEEN", which is an investment fund managed by Alkhabeer Capital and approved by CMA.

### 14-5-3 Intermediation Agreements

Wataniya Insurance Company has entered into a total of 21 intermediation agreements with various entities. The purpose of such agreements is for Wataniya Insurance Company to practice its insurance intermediation business (as applicable) in accordance with the related terms and conditions and in consideration of a specified commission.

The following is a summary of the most important terms included in the agreements entered into by Wataniya Insurance Company with the brokers:

**Table 136: A summary of the most important terms included in the agreements entered into by Wataniya Insurance Company with the brokers**

No.	Subject of the Agreement	Date	Parties	Duration and Renewal
1	Non-exclusive insurance brokerage agreement	20/01/2014G	Wataniya AL AFAQ Insurance & Reinsurance Brokers Co.	N/A
2	Non-exclusive insurance brokerage agreement	25/04/2012G	Wataniya Markaz Boustan Al-Sharq Al-Awsat Insurance Brokerage Co.	N/A
3	Terms of business agreement	01/01/2015G	Wataniya Chedid Reinsurance Brokerage Ltd.	12 months, automatically renewable for a similar term
4	Non-exclusive insurance brokerage agreement	01/10/2010G	Wataniya Dar Mayar Insurance Brokers	N/A
5	Non-exclusive insurance brokerage agreement	17/04/2012G	Wataniya Deraya Insurance Brokers	(1) one calendar year, automatically renewable
6	Non-exclusive insurance brokerage agreement	01/06/2011G	Wataniya Tamayoz Insurance Agency Co.	N/A
7	Non-exclusive insurance brokerage agreement	05/06/2011G	Wataniya Al Derae Al Akhdar Insurance & Reinsurance Brokerage Co.	N/A
8	Non-exclusive insurance brokerage agreement	02/05/2011G	Wataniya Gulf Insurance & Reinsurance Brokers Company	N/A
9	Non-exclusive insurance brokerage agreement	13/12/2010G	Wataniya Independent Insurance Brokers	N/A
10	Non-exclusive insurance brokerage agreement	05/10/2010G	Wataniya Saudi Link Insurance Brokers Co.	N/A
11	Non-exclusive insurance brokerage agreement	18/06/2011G	Wataniya Lonsdale & Associates Insurance & Reinsurance Brokers Ltd.	(1) one calendar year, automatically renewable
12	Non-exclusive insurance brokerage agreement	23/01/2012G	Wataniya Marina Insurance & Reinsurance Brokers Co.	N/A
13	Non-exclusive reinsurance brokerage agreement	06/01/2014G	Wataniya Marsh Saudi Arabia Insurance & Reinsurance Brokers	N/A
14	Non-exclusive insurance brokerage agreement	02/06/2014G	Wataniya Nasco Karaoglan Saudi Arabia Insurance and Reinsurance Brokerage	N/A

No.	Subject of the Agreement	Date	Parties	Duration and Renewal
15	Non-exclusive insurance brokerage agreement	27/06/2011G	Wataniya National Insurance Brokers Co.	N/A
16	Non-exclusive reinsurance brokerage agreement - Saudi Arabia	14/01/2015G	Wataniya RFIB Saudi Arabia Ltd. - Insurance and Reinsurance Brokerage	(1) one calendar year renewable by written agreement between the parties or shall be deemed renewed for another year if both parties continue to fulfill their obligations after its expiry
17	Non-exclusive insurance brokerage agreement	21/10/2012G	Wataniya Tawkol Insurance Brokerage Co.	N/A
18	Non-exclusive insurance brokerage agreement	19/12/2011G	Wataniya Elite Insurance & Reinsurance Brokerage Co.	N/A
19	Terms of business agreement for insurance companies and brokers	26/11/2014G	Wataniya Willis Saudi Arabia Company Ltd. Insurance and Reinsurance Brokers	N/A

Source: The Company

The following are the most important terms included in agreements entered into by Wataniya Insurance Company with the agents:

**Table 137: A summary of the most important terms included in agreements entered into by Wataniya Insurance Company with the agents**

No.	Document Name	Date	Parties	Duration and Renewal
1	Agency Agreement	18/01/2011G	Wataniya RAND Insurance Agency	(3) three calendar years commencing on 21/09/2010G; has been renewed for a similar term
2	Agency Agreement	01/01/2012G	Wataniya Saudi Hollandi Insurance Agency (a company affiliated to the Saudi Hollandi Bank)	(3) three calendar years renewable upon written agreement between the parties. Shall be deemed renewed for another year if both parties continue to fulfill their obligations after its expiry.

Source: The Company

#### 14-5-4 Service Agreements

Wataniya Insurance Company has entered into a number of agreements to receive services from other entities related to claim assessment, identity verification, support, consulting, administrative affairs, and other services.

#### Tawuniya Insurance

On 01/01/2015G, Wataniya Insurance Company entered into a Portfolio Agreement with Tawuniya Insurance Co. ("Tawuniya"), in association with: ACE Arabia Cooperative Insurance Company, Al Sagr National Insurance Company, Al-Ahlia for Cooperative Insurance Company, Allianz Saudi Fransi Cooperative Insurance Company, Allied Cooperative Insurance Group (ACIG), Al Rajhi Company for Cooperative Insurance - Al Rajhi Takaful, AMANA Cooperative Insurance, Amana Cooperative Insurance, Saudi Arabian Cooperative Insurance, AXA Cooperative Insurance Company, Buruj Cooperative Insurance Company, Gulf General Cooperative Insurance Company, Gulf Union Co-Operative Insurance Co., Malath Cooperative Insurance and Reinsurance Company, Saudi Arabian Cooperative Insurance (SAICO), Saudi Indian Cooperative Insurance Company, Saudi United Cooperative Insurance Company, Solidarity Saudi Takaful Company, The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, Trade Union Cooperative Insurance & Reinsurance Company, United Cooperative Assurance Co., Alinma Tokio Marine Company, Metlife AIG ANB for Cooperative Insurance, Arabian Shield Cooperative Insurance Company and Salama Cooperative Insurance Company. The parties agreed to co-insure automobiles entering the Kingdom of Saudi Arabia through border crossing points, except for the Bahrain Crossing through the King Fahd Causeway.

***Fees and terms of payment:***

Tawuniya has the right to manage the Investment Portfolio, amounting to 15% of the net profits of the portfolio and 4.25% of the total premiums of the Point of Sale Portfolio for related indirect expenses, with the remaining net profits distributed equally between Tawuniya and the other parties.

The term of this Agreement is (3) three calendar years, renewable for a similar term upon mutual agreement.

The Agreement is governed by the laws of the Kingdom of Saudi Arabia.

**Najm for Insurance Services**

On 24/02/2014G, Wataniya entered into a Technical Services Agreement with Najm for Insurance Services ("Najm") under which Najm determines and evaluates damages caused by auto accidents and damages to private and public properties, if any.

The obligations of Najm under this Agreement are as follows:

- to determine the liability of the parties involved in auto accidents and in damages to private and private properties;
- to assess damages to public and private properties; and
- to transfer data between Wataniya and the Traffic Department.

As for the obligations of Wataniya under this Agreement, they are as follows:

- to take all necessary measures to be electronically linked to Najm;
- to pay all expenses incurred by Najm arising from provision of services to Wataniya;
- not to enter into any other agreement for the same services provided by Najm; and
- To allow Najm to suspend provision of services in case of delay by Wataniya of any payment due to Najm.

***Fees and terms of payment:***

- SAR150 for each report related to inspection of accident sites.
- SAR150 for each damage report, to be paid in proportion to the liability.

For data transfer to the Traffic Department:

- SAR3 for the transfer of the data of each insurance policy and SAR2 for each inquiry regarding vehicles, number of accidents and violations, and driving licenses.

The Agreement shall be renewed automatically on a yearly basis unless either party notifies the other in writing (60) sixty days before the end of the original or renewed term.

The Agreement is governed by the laws of the Kingdom of Saudi Arabia.

**Saudi National Insurance Company**

On 14/10/2014G, Wataniya signed an MOU with the Saudi National Insurance Company BSC ("SNIC") under which Wataniya personnel are employed by SNIC to manage SNIC's routine and other related operations.

***Fees and terms of payment:***

SNIC shall pay to Wataniya an amount of SAR100,000/year as a contribution to cover general expenses and costs of Wataniya personnel.

The MOU went into effect as of 01/01/2015G.

**Shariyah Review Bureau**

On 18/07/2013G, Wataniya entered into a Shariah Consulting Service Agreement with the Shariyah Review Bureau ("SRB"), under which SRB ensures that the Wataniya's activities are Shariah compliant.

The obligations of SRB under this Agreement are as follows:

- to review all product documents submitted to the SRB and the related agreements, and to issue a Fatwa/Shariah Certificate when products and documents are Shariah compliant, according to the overall assessment of SRB;
- to provide routine Shariah consulting services, including services related to Wataniya's activities and operations, etc.; and
- to conduct an annual review to ensure Wataniya's activities are Shariah compliant and issue a review report thereof.

***Fees and terms of payment:***

Wataniya pays SRB annual fees of SAR180,000.

The term of the Agreement is (1) year renewable on a yearly basis, unless either party notifies the other party to the contrary at least one month before the expiry date.

The Agreement is governed by the laws of the Kingdom of Saudi Arabia.

**E.A. Juffali & Brothers - Technical Support Department**

On 12/01/2015G, Wataniya entered into a service agreement with E.A. Juffali & Brothers - Technical Support Department ("E.A. Juffali"), under which the Technical Support Department of E.A. Juffali was employed by Wataniya to provide support, management and consulting services related to Wataniya's IT infrastructure.

The obligations of E.A. Juffali & Brothers - Technical Support Department under this Agreement are as follows:

- to provide IT services;
- to link the data network and provide supporting services;
- to provide office equipment and operating systems; and
- to provide office productivity software.

***Fees and terms of payment:***

Wataniya shall pay to E.A. Juffali & Brothers - Technical Support Department the costs of the equipment, devices, materials and third-party services in addition to a 5% service fee. Wataniya shall also pay to E.A. Juffali & Brothers - Technical Support Department a monthly fee of SAR113,600.

This Agreement came into effect on 01/01/2015G for an initial period of 2 years renewable for one year each time.

The agreement is governed by the laws of the Kingdom of Saudi Arabia.

**ESKADENIA Software**

On 10/11/2008G, Wataniya entered into a Licensing Agreement with ESKADENIA Software ("ESKADENIA") to use ESKADENIA Software for insurance products.

The obligations of ESKADENIA under this Agreement are as follows:

- to provide the general insurance system; and
- to provide the Business Manager System along with the professional services needed for the effective use of the products.

***Fees and terms of payment:***

Wataniya shall pay USD125,000 as licensing fees and annual fees for support and maintenance services.

The agreement is governed by the laws of the Kingdom of Saudi Arabia.

**GAPCORP Saudi Arabia**

On 12/10/2011G, Wataniya entered into a Service Agreement with GAPCORP Saudi Arabia ("GAPCORP"), under which GAPCORP is employed by Wataniya as the Administrative Manager to manage the processing of claims related to insurance coverage ("the scope of work") to be provided by Wataniya in KSA.

The obligations of GAPCORP under this Agreement are as follows:

- to cooperate with Wataniya in the processing of claims and administrative services related to the scope of work;
- to develop all administrative and computer systems needed to conduct business and to provide all support and information necessary to enable the operation of the scope of work on such systems; and
- to provide administrative reports related to the scope of work.

***Fees and terms of payment:***

Wataniya shall pay GAPCORP an administrative fee pursuant to the agreed terms and conditions for each process/insurance policy.

The term of this Agreement is five years, renewable for additional terms of (3) years each, unless terminated by either Party by a minimum of (6) six-month prior written notice to the other Party.

The agreement is governed by the laws of the Kingdom of Saudi Arabia.

## Manar Sigma Financial Consulting

On 18/02/2015G, Wataniya entered into an Actuarial Services Agreement with Manar Sigma Financial Consulting ("Manar Sigma"), under which Manar Sigma provides support and consulting services related to the development of the cooperative life insurance range of products (for individuals and groups) and submits applications to SAMA for the products to be approved for release.

The obligations of Manar Sigma under this Agreement are as follows:

- to review documents, develop the profitability test procedures and provide final documents to Wataniya before submission to SAMA;
- to review product specifications, hold product development workshops, determine the outcomes of the profitability tests and provide final documents to Wataniya prior to submission to SAMA.

### **Fees and terms of payment:**

Wataniya pays Manar Sigma a total fee of SAR350,000 at specified dates.

Different reports shall be submitted at the specified dates, including:

- the Annual Evaluation Report, to be submitted no later than 15/02/2016G; and
- The Financial Position Report, to be submitted on 09/03/2016G.

The Agreement is governed by the laws of the Kingdom of Saudi Arabia.

## 14-5-5 Reinsurance Agreements

Wataniya has entered into a number of reinsurance agreements with a single reinsurer. The terms of such agreements, related to products provided by Wataniya, whether through an agency or directly with the reinsurer, are summarized in the table below.

**Table 138: Summary of Reinsurance Agreements**

Reinsurer	Insurance Policy / Coverage Type	Term	Geographic Scope
Trust International Insurance and Reinsurance Company B.S.C.	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	KSA and its interests abroad, except for USA, Canada, Australia and Iran, excluding: a. Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats (the Saudi flag, ownership and management all over the world); b. Various Accidents & Marine Cargo Co-insurance (Iran is not excluded); and c. Personal Accident Surplus (KSA and its interests abroad).
CCR - France	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	Same as previous item
MAPFRE RE Reinsurer	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	Same as previous item
Partner Reinsurance Europe PLC	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	Same as previous item

Reinsurer	Insurance Policy / Coverage Type	Term	Geographic Scope
Swiss Reinsurance Company Ltd.	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	Same as previous item
XL Re Europe (Dubai)	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	01/01/2016G to 31/12/2016G	Same as previous item
Munich Re of Malta P L C	Car Accident Co-insurance	01/01/2016G to 31/12/2016G	Same as previous item
Saudi Cooperative Reinsurance Company	Engineering Co-insurance Fire Co-insurance Marine Cargo Co-insurance Optional/Mandatory Marine Reinsurance for Personal Pleasure Boats Accident Co-insurance Personal Accident Surplus	Risks occurred on or after 08/01/2015G for periods no more than 12 months, in addition to an exception period of more than 18 months with specific exceptions.	Same as previous item.
SCOR	Cars, WC/EL, G.T.P.L., PA, loss agreement surplus	01/01/2016G to 31/12/2016G	Underwritten Insurance Policies in the Kingdom of Saudi Arabia for loss incurred in KSA for engine damage only. GCC countries as well as Jordan, Lebanon, Palestine and Egypt
Partner re, XL Re, R+V, Swiss Re, Saudi Reinsurance	Cars, WC/EL, G.T.P.L., PA, loss agreement surplus	01/01/2016G to 31/12/2016G	Same as previous item
Navigator SYN 1221, SYN 1882, Trust, CHB, GIC, IGI, Saudi Reinsurance	Loss reinsurance surplus	01/01/2016G to 31/12/2016G	Worldwide
Sirius, Hannover Re, XL Catlin	Loss surplus covering interest share in engineering risks	01/01/2016G to 31/12/2016G	KSA and its interests abroad, except for USA, Canada, Australia and Iran
Hannover Re	Loss surplus covering interest share in engineering risks	01/01/2016G to 31/12/2016G	Same as previous item
Partner Re, Hannover Re, SCOR, GIC, R+V, Swiss Re	Fire Risks Co-insurance Agreements	01/01/2016G to 31/12/2016G	Same as previous item
Partner Re, Hannover Re, SCOR, GIC, R+V, Swiss Re	Engineering Risks Co-insurance Agreements	01/01/2016G to 31/12/2016G	Same as previous item
Partner Re, Hannover Re, SCOR, GIC, R+V, Swiss Re	Various Accident Co-insurance Agreements	01/01/2016G to 31/12/2016G	KSA and its interests abroad, except for USA, Canada and Australia

Source: The Company



## 14-6 Insurance Products Offered by Wataniya

Wataniya offers its clients a diverse range of insurance policies, e.g. worker compensation, third-party auto insurance, public liability insurance, product and property insurance against all risks, and others. Some insurance policies have received final approval from SAMA, while others have received a temporary approval only.

General and known exceptions apply based on the nature of the insurance coverage. The usual exceptions include, but are not limited to, losses resulting from acts of terror, wars, civil unrest and nuclear radiation. Most insurance policies only cover losses in the Kingdom of Saudi Arabia. The insurance agreements are governed by the laws of the Kingdom of Saudi Arabia.

**Table 139: Insurance Products Offered by Wataniya**

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
1	Motor Third Party Liability Insurance	Motor third party liability insurance provides compensation to the insured and the authorized driver or their legal heirs for third party liability in case of death, personal injury or property damage.	19/05/1434H	N/A
2	Auto Dealer Insurance Policy (external risks)	Loss or damage of automobiles and the accidents resulting therefrom or related thereto.	19/05/1434H	N/A
3	Comprehensive Private Auto Insurance Policy	Loss or damage of automobiles specified in the insurance policy.	19/05/1434H	N/A
4	Comprehensive Commercial Auto Insurance Policy	Loss or damage of automobiles specified in insurance policy.	19/05/1434H	N/A
5	Hull Insurance Policy	Insurance for ship hulls, materials, engines, machinery and all matters related thereto as described in the policy's table; third party liability and legal liability to passengers.	25/11/1431H	N/A
6	Marine Cargo Insurance Policy (open)	Covers the insured's interest in goods and also extends to cover the interest of any other party to which the insured has transferred such interest by transfer of ownership of goods to him, as specified in the sale conditions.	25/11/1431H	N/A
7	Marine Cargo Insurance Policy (for a single shipment)	Loss or damage of goods based on the level and manner provided for in the insurance policy.	25/11/1431H	N/A
8	Land Cargo Insurance Policy (all risks)	Loss, damage or destruction of goods, for any reason, during crossing a geographic area specified in the table and unloading from any mean of transportation specified in the table or during loading them on any mean of transportation specified in the table or during temporarily loading them on that mean of transportation, or as the client chooses to fix or replace the damaged goods.	25/11/1431H	N/A
9	Land Cargo Insurance Policy (road risks)	Loss or damage resulting from fire, collision, overturning, deviation, collapse of bridges or similar accidents during transporting goods by truck and/or train.	25/11/1431H	N/A
10	Glass Breakage Insurance Policy	If the insured glass is broken, the Company pays to the insured the value for replacement of the broken glass, or replaces it with glass of the same quality.	16/12/1431H	N/A
11	Money Insurance Policy	Loss of money belonging to or under the responsibility of the insured, loss or damage of safes containing the money, damage of clothes of the insured's managers or employees as a result of theft or an attempt of theft during holding the money belonging to the insured.	24/12/1431H	N/A
12	Personal Accident Insurance Policy (individual)	If the insured sustains a physical injury (including death or permanent or temporary disability) during the insurance period, the Company pays him financial compensation to be calculated according to the table.	11/01/1433H.	N/A

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
13	Work Injury Compensation Insurance Policy	If a direct employee of the insured is exposed to a personal injury resulting from and during work.	25/02/1432H	N/A
14	Burglary Insurance Policy	Loss or damage of work property, including but not limited to commercial and office equipment due to burglary or attempted threat accompanied by forced, actual and violent break-in inside or outside the building.	22/11/1431H	N/A
15	Fidelity Insurance Policy	Loss of money or goods due to any cheating, fraud or dishonesty by personnel.	16/12/1431H	N/A
16	Personal Accident Insurance Policy (group)	Loss or damage to a direct employee of the insured during service, if exposed to a physical injury due to a violent accident.	06/04/1433H	N/A
17	Life Insurance Policy (group)	Life insurance for dependents if the insured is dead.	13/01/1434H	N/A
18	Life Insurance Policy (individual)	Provides life insurance coverage for a year, half a year, three months or one month.	08/03/1433H	N/A
19*	Machinery Breakdown Insurance Policy	Loss of business in the places specified in the table due to an accident pertaining to any of the machinery stated in the insured machinery list.	26/03/1437H	01/10/1437H
20*	Comprehensive Housing Insurance Policy	Loss or damage of personal effects in any private residence, hotel, inn, drop-in center, club, hospital, school or workplace where the insured or any of his family member may be for the purpose of residence or work at the time of the loss or damage.	26/03/1437H	01/10/1437H
21*	Fire Insurance Policy	Insurance for property in case of exposure to destruction, damage or harm due to a fire or lightning, whether it is accompanied by a fire or not.	26/03/1437H	01/10/1437H
22*	Business and Interruption Insurance Policy	Accidental/material loss or damage of any building or other property used by the insured for business purposes, resulting in an interruption of the business conducted by the insured.	26/03/1437H	01/10/1437H
23*	Contractor Risk Insurance Policy	Material, unexpected and sudden loss or damage resulting from any cause, except for those specifically excluded, which require repair or replacement.	26/03/1437H	01/10/1437H
24*	Contractor Plant and Machinery Insurance Policy	Material, unexpected and sudden loss or damage resulting from any specifically non-excluded causes, which require repair or replacement.	26/03/1437H	01/10/1437H
25*	Refrigerators Inventory Damage Insurance Policy	Covers loss or damage of material preserved in stores due to sudden or unexpected machinery breakdown.	26/03/1437H	01/10/1437H
26*	Electronic Equipment Insurance Policy	Loss or damage of equipment	26/03/1437H	01/10/1437H
27*	Installation Risk Insurance Policy	Material, unexpected and sudden loss or damage resulting from any cause, requiring repair or replacement, as well as accidental physical injury or illness to any other party (whether fatal or not), and the loss of or damage to the property of others.	26/03/1437H	01/10/1437H
28*	Extended Warranty Insurance Policy	Loss or damage of automobiles due to a mechanical and/or electrical failure.	26/03/1437H	01/10/1437H
29*	All Risk Insurance Policy	Loss or damage of home or personal effects due to (a) fire, lightning, theft, home invasion, burglary, embezzlement, or (b) an accident or unexpected event.	26/03/1437H	01/10/1437H

No.	Product	Coverage	Date of SAMA's approval	Expiration date of SAMA's approval
30*	Professional Liability Insurance Policy (Medical Errors)	Patient physical injury or death.	26/03/1437H	01/10/1437H
31*	Professional Liability Insurance Policy (for Architects)	Covers the insured and its personnel in case of violation of professional duties as specified in the table.	26/03/1437H	01/10/1437H
32*	Machinery Breakdown Insurance Policy	Material loss or damage that requires repair or replacement.	26/03/1437H	01/10/1437H
33*	Civil Liability Insurance Policy	Insurance for all the amounts the insured becomes legally liable for in relation to accidents inside KSA and leading to death, physical injury, illness of an individual or individuals, or loss or damage to property.	26/03/1437H	01/10/1437H
34*	Property Insurance Policy (all risks)	Covers loss, damage or destruction of property.	26/03/1437H	01/10/1437H
35*	Comprehensive Banking Insurance Policy	A bank-specific policy that covers risks related to staff dishonesty, theft and robbery, money transfers, fraud or misrepresentation and currency forgery.	26/03/1437H	01/10/1437H
36*	Terrorism Risk Insurance Policy	Material loss or damage as a result of a terrorist act.	26/03/1437H	01/10/1437H
37*	Travel Accident Insurance Policy	Insurance against risks related to traveling, including loss or damage or accidental or external visible physical injury, caused by violent means, and necessary expenses incurred as a direct result of the death of the insured person or exposure to a physical injury or illness.	26/03/1437H	01/10/1437H

Source: The Company

\* Temporary approvals shall expire after six (6) months from SAMA's approval date, after which the Company shall apply to SAMA to extend the approvals for a similar period.

## 14-7 Policies retained by Wataniya Insurance Company

Wataniya retains insurance policies for its business and operations: Accident insurance, medical insurance, all risks, burglary, electronic equipment, honesty guarantee, fire and thunderbolts, money insurance, and auto insurance. The following is a summary of the details of these insurance arrangements:

**Table 140: Summary of Wataniya's business and operations insurance agreements**

No.	Insurance Policy / Name	Parties	Coverage	Coverage period
1	Civil responsibility P01-2011-6-603-0017 / R4	Insurer: Wataniya Policy holder: Wataniya	Public liability	01/01/2016G until 31/12/2016
2	All risks P01-2011-6-604-0002 / R4	Insurer: Wataniya Policy holder: Wataniya	All risks	01/01/2016G until 31/12/2016
3	Theft P01-2011-6-609-0006 / R4	Insurer: Wataniya Policy holder: Wataniya	Burglary through forced break-in and break-out	01/01/2016G until 31/12/2016
4	Electronic equipment P01-2011-5-505-0006/R3	Insurer: Wataniya Policy holder: Wataniya	Various types of electronic equipment	01/01/2016G until 31/12/2016
5	Fidelity P01-2011-6-607-0042 / R4	Insurer: Wataniya Policy holder: Wataniya	Employee honesty	01/01/2016G until 31/12/2016
6	Fire P01-2011-2-201-0069 / R4	Insurer: Wataniya Policy holder: Wataniya	Fire and lightning strikes, neighbor liability, tenant liability, associated risks, and earthquakes	01/01/2016G until 31/12/2016

No.	Insurance Policy / Name	Parties	Coverage	Coverage period
7	Money P01-2011-6-605-0059 / R4	Insurer: Wataniya Policy holder: Wataniya	Money deposited in the safe and money in transport	01/01/2016G until 31/12/2016
8	compulsory insurance -P TPL – P-01-2011-4-411-0177/R5	Insurer: Wataniya Policy holder: Wataniya	Motor insurance against Third Party Liability	01/01/2016G until 31/12/2016
9	Cooperative Health Insurance	Insurer: Bupa Arabia for Cooperative Insurance Policy holder: Wataniya	Compulsory Cooperative Health Insurance	01/05/2016G until 30/04/2017G
10	Personal accidents (groups) P-01-2011-66020009/R5	Insurer: Wataniya Policy holder: Wataniya	Accidental and permanent partial disability	01/01/2016G until 31/12/2016
11	Worker compensation P-01-2011-6-611-0014/R5	Insurer: Wataniya Policy holder: Wataniya	Emergency Medical Expenses	01/01/2016G until 31/12/2016

Source: The Company

## 14-8 Title Real Estate

### 14-8-1 documents (title deeds)

Wataniya does not own any land or real estate registered in its name.

### 14-8-2 Lease contracts

Wataniya, as a tenant, has entered into various leasing contracts for its offices. The following table details such contracts.

The terms of these contracts range from one (1) to five (5) years. The rent amount ranges from SAR10,000 to SAR1,298,000 per year. These Agreements do not allow assignment or subletting the real property without prior written consent from the lessor.

**Table 141: Summary of Wataniya's lease contracts**

Lessor	Date	Type / location	Duration of lease	Main terms	Annual lease (SAR)
Ali Juffali for Real Estate and Ahmed Juffali Sons Company	29/02/1435H (corresponding to 01/01/2014G)	Head Office - Jeddah.	29/02/1435H (corresponding to 01/01/2014G) Until 09/03/1436H (corresponding to 31/12/2014G) Automatically renewable	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	1,298,000
Al Khereiiji Trading & Electronics	04/04/1433H (corresponding to 26/02/2012G)	Khobar Office	01/07/1433H (corresponding to 22/05/2012G) until 29/06/1439H (corresponding to 17/02/2018G) Automatically renewable for one year	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	446,250
Al-Omam Center office	15/03/1433H (corresponding to 07/02/2012G)	Riyadh - Office	17/07/1432H (corresponding to 19/06/2011G) until 16/07/1433H (corresponding to 06/06/2012G) Automatically renewable	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	181,650

Lessor	Date	Type / location	Duration of lease	Main terms	Annual lease (SAR)
Al-Omam Center office	N/A	Riyadh - Office	01/03/1434H (corresponding to 13/01/2013G) until 29/02/1435H (corresponding to 01/01/2014G) Automatically renewable	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	57,522
Al-Omam Center office	15/03/1433H (corresponding to 07/02/2012G)	Riyadh Office	17/02/1432H (corresponding to 21/01/2011G) until 16/02/1433H (corresponding to 10/01/2012G) Automatically renewable	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	203,232
Al-Omam Center office	25/12/1436H (corresponding to 08/10/2015G)	Riyadh warehouse	01/12/1436H (corresponding to 15/09/2015G) until 29/11/1437H (corresponding to 01/09/2016G)	The lessee may not assign the lease contract or sublet the real property without the prior written permission of the lessor.	10,000

Source: The Company

## 14-9 Employment contracts with the members of the Senior Management

The following table provides a summary of the details of the contracts entered into between Watanyia and the members of the Senior Management:

**Table 142: Summary of the Senior Management's employment contracts**

Employee	Position	Start date	Term	Salary	Obligations
Haitham Albakree	CEO	01/04/2013G	N/A	A fixed monthly salary, a housing allowance, a transport allowance and health insurance	Pursuant to the Saudi Labor Law
Ali Ibrahim Hussein	Deputy CEO	01/04/2010G	One year, automatically renewable, unless a party requests, in writing, termination of the Contract one month before expiry.	A fixed monthly salary, a housing allowance, a transport allowance and health insurance	The employee undertakes to respect the regulations, laws and customs applicable in the Kingdom of Saudi Arabia. He also must abide by the instructions of the management and undertakes to observe the confidentiality requirements and not to compete with the company as long as he is an employee thereof.
Sohail Fadl Abbas	CFO	01/04/2010G	One year, automatically renewable, unless a party requests, in writing, termination of the Contract one month before expiry.	A fixed monthly salary, a housing allowance, a transport allowance and health insurance	The employee undertakes to respect the regulations, laws and customs applicable in the Kingdom of Saudi Arabia. He also must abide by the instructions of the management and undertakes to observe the confidentiality requirements and not to compete with the company as long as he is an employee thereof.

Source: The Company


## 14-10 Intangible assets

Wataniya's competitive position is based on several factors, including its ability to protect and use intangible assets, including its name and logo, with all the information, marketing materials and systems it uses to promote and sell its services. Thus, the Company's inability to protect its rights in the Kingdom could make its operations more expensive, which will, in turn, have an adverse impact on its operations and the results thereof.

Accordingly, Wataniya has undertaken to protect its trademark by registering it with the Trademarks Department at the Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry), in accordance with a Certificate of Registration issued by the Ministry of Commerce and Investment on 13/10/1436H (corresponding to 29/07/2015G).

The following are the most significant details of the Trademark Registration Certificate:

**Table 143: Details of the Trademark Registration Certificate:**

Trademark	Registration country	Status	Category	Owner	Issuing Authority
 <b>الوطنية للتأمين</b> Wataniya Insurance	KSA	Valid until 03/07/1446H (corresponding to 01/03/2025G)	36	Wataniya	Ministry of Commerce and Investment (formerly Ministry of Commerce and Industry)

Source: The Company

The company does not have any license agreement for the use of any trademark registered in its name.

## 14-11 Details of disputes litigation and claims

There are (2) lawsuits against Wataniya, as described in the following table:

**Table 144: Details of disputes litigation and claims**

Plaintiff	Claimed amount (SAR)	Details and case
Amir Khan	12,114	Judgment in favor of the claimant with an amount of (SAR8,300)
Mohammed Nashi	20,500	Pending judgment

Source: The Company

Regardless of the judgments that will be passed in the two cases, even if in favor of the claimants, this does not, individually or collectively, have any adverse effect on the Company's financial position or results of operations.

As at 07/08/1434H (corresponding to 16/06/2013G), the Company filed an appeal with the Preliminary Zakat and Tax Appeal Committee at the General Authority for Zakat and Income Tax (formerly Department of Zakat and Income Tax) against the Zakat Tax assessment for financial year 2011G. As at 25/01/1435H (corresponding to 28/11/2013G), the Preliminary Zakat and Tax Appeal Committee made its judgment in favor of the Company in relation to the claims related to pre-operating expenses and the foreign partner share percentage and against the Company in respect of the claims related to the statutory deposit and withholding tax. As of 13/02/1435G (corresponding to 16/12/2013G), the Company filed an appeal with the Tax Appeal Committee in respect to the claims rejected by the Preliminary Zakat. The Tax Appeal Committee had not made a decision as of the date of this Prospectus.

In addition to the claims mentioned above, Wataniya was owed an amount by one of the reinsurance companies: Best Re, one of the Company's reinsurers with which it had interacted for the two years 2012G and 2014G for the amount of SAR6,548,000. This claim was settled through a separate agreement with Saudi Arabia Nasco Insurance and Reinsurance Brokerage ("NASCO"), signed by the two parties on 03/11/2015G. Pursuant to the agreement, NASCO agreed to pay to Wataniya a total amount of SAR2,850,000 as a statutorily full and final settlement of Best Re's debt due for payment to Wataniya. The remaining amount has been dealt with from the allowance for doubtful debts from the reinsurance companies.

It should be noted that Wataniya faces claims from insurance customers in the normal course of its business. The following table sets out the largest ten (10) claims by amount as at 31/12/2015G.

**Table 145: Summary of customer claims**

Insurance category	Policy / the insured	Claim amount (Saudi Riyals)	Claim date	Insurer share (%)	The current situation
Fire	02- 00960- Qassim Paper Products Factory	14,500,000	13/07/2015G	99.85%	Awaiting documents from the policy holder
Properties (all risks)	03-0238173- M/S Saudi Electricity Company	1,502,270	23/05/2013G	99.99%	Awaiting documents from the policy holder
Machinery Breakdown	01-00778 - Arabian Cement Company	22,000,000	10/07/2012G	99.99%	Awaiting documents from the policy holder
Professional responsibility	02-01606 - Khatib & Alami	25,875,000	12/01/2015G	100%	Awaiting documents from the policy holder
Motor vehicles	01-0480845 - Kirnaf Investment and Installment Company	1,250,000	27/04/2015G	48%	Awaiting documents from the policy holder
	03-0514889- Abdullah Hamoud Abdullah al-Khalidi	1,231,000	11/11/2015G	47.2%	Awaiting documents from the policy holder
Contractor Risk	01-00674 - Freyssinet Saudi Arabia Co. Ltd	1,450,000	30/06/2015G	99.99%	Awaiting documents from the policy holder
Life Insurance (group)	01-00667 – Saudi Hollandi Bank	1,728,095	23/12/2015G	100%	Awaiting documents from the policy holder
Life Insurance (group)	01-0523373 - Freyssinet Saudi Arabia Co. Ltd	1,852,000	06/12/2015G	100%	Settlement concluded
Properties (all risks)	01-519755 – Al-Wasata Food Services Co Ltd	4,000,000	26/11/2015G	99.85%	A partial settlement was concluded
<b>Total Claim amount (Saudi Riyals)</b>		<b>75,388,365</b>			

Source: The Company

Except for the aforementioned cases and claims, Wataniya asserts that it is not a party to any litigation, claim, or arbitration procedure that would materially affect the Company's business, operations and the results thereof.

## 15. UNDERWRITING

### 15-1 Names and addresses of the underwriters

The Company has entered into an Underwriting Agreement with the Underwriters, Arab National Investment Company and Saudi Hollandi Capital. Pursuant to the Agreements, the Arab National Investment Company and Saudi Hollandi Capital undertake to cover (50%) fifty percent of the Offer Shares, for a total of (10,000,000) ten million ordinary Shares with a Share price of (SAR10) per Share, representing all the Rights offered for subscription ("the Underwriting Agreement").

Underwriters	
<p>Arab National Investment Company King Faisal Street, Arab National Investment Company Building P.O. Box 220009 Riyadh 11311 KSA Tel: + 966 11 4062500 Fax: + 966 11 4062548 Email: ipo@anbinvest.com.sa Website: www.anbinvest.com.sa</p>	
<p>Saudi Hollandi Capital Olaya Road, Olaya, Riaydh P.O. Box 1467 Riyadh 11431 KSA Tel: +966 11 4163133 Fax: +966 11 4163133 Ext.: 5308 Email: info@shc.com.sa Website: www.shc.com.sa</p>	

### 15-2 Key terms of the Underwriting Agreement:

The principal terms and conditions of the Underwriting Agreement are:

- 1- The Company undertakes to the Underwriters that, on the allocation date, it will allocate and issue to the Underwriters all shares that have not been subscribed to by the eligible shareholders as additional shares in the offer price.
- 2- The Underwriters undertake to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for at the Offer Price.
- 3- The Underwriters will receive a specified fee for underwriting to be paid from the Offering Proceeds.

**Table 146: Underwriting percentage**

Underwriter	Number of Offer Shares	Underwriting percentage
Arab National Investment Company	5,000,000	50%
Saudi Hollandi Capital	5,000,000	50%
<b>Total</b>	<b>10,000,000</b>	<b>100%</b>



## 16. Expenses

The projected value of the Offering expenses from the total Offering proceeds is (SAR7,000,000) seven million Saudi Riyals to cover the costs and expenses of the Offering, including the fees of the Financial Advisor and the Legal Advisor of the Offering, fees of the Financial Due Diligence Advisor and the Media and Public Relations Advisor, underwriting expenses, the expenses of the Receiving Agents, marketing and distribution expenses and other expenses related to the Offering. The Company will bear all Offering expenses. The following is a table of the details of the total projected Offering expenses.

**Table 147: Details of the total projected Offering expenses.**

No.	Description	Value (SAR)
1	Fees of the Financial Advisor, Lead Manager, Underwriters, and other advisors	5,400,000
2	Fees of the Receiving Agents	900,000
3	Costs of advertising, marketing, printing and postal fees	550,000
4	Other costs	150,000
<b>Total</b>		<b>7,000,000</b>

Source: Company Management

## 17. Waivers

Neither the Company, nor the Financial Advisor has submitted any request to the CMA for a waiver from any requirements stipulated in the Listing Rules.

## 18. Subscription Terms and Conditions

The application for Admission of the New Shares has been submitted in compliance with the Listing Rules.

All eligible Shareholders, holders of acquired Rights and applicants must carefully read the terms and conditions of the Offering before completing the Subscription Application Form or the Rump Offering Form. Signing and submitting the Subscription Application Form or the Rump Offering Form shall be construed as agreement and acceptance of the aforementioned terms and conditions.

Signature of the Subscription Application Form and its submission to the Receiving Agents constitutes a binding agreement between the Company and the Eligible Person. Eligible persons may obtain the Prospectus and the Subscription Application Form from the following Receiving Agents:

Receiving Agents	
<p>Arab National Bank King Faisal Street, Riyadh P.O. Box 56921 Riyadh 11564 Kingdom of Saudi Arabia Tel: +966 11 402 9000 Fax: +966 11 402 7747 Email: abinayba@anb.com.sa Website: www.anb.com.sa</p>	
<p>National Commercial Bank King Abdul Aziz Road, Jeddah P.O. Box 3555 Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333 Fax: +966 (12) 643 7426 Email: contactus@alahli.com Website: www.alahli.com</p>	
<p>Riyad Bank King Abdul Aziz Road - Riyadh P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 Email: customercare@riyadbank.com Website: www.riyadbank.com</p>	
<p>Saudi Hollandi Bank Prince Abdulaziz Bin Musaед Bin Jlawy Street, Riyadh P.O. Box 1467 Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (11) 401 0288 Fax: +966 (11) 403 1104 Email: csc@saudihollandibank.com Website: www.shb.com.sa</p>	

### 18-1 Subscription to the Rights Issue (New Shares)

Eligible shareholders wishing to subscribe to the Rights Issue must submit the Subscription Application within the Subscription Period commencing on Tuesday 06/11/1437H (corresponding to 09/08/2016H) and ending on Tuesday 20/11/1437H (corresponding to 23/08/2016H). The Prospectus and Subscription Applications may be obtained from the Receiving Agents mentioned above.

The Extraordinary General Assembly held on 26/10/1437H (corresponding to 31/07/2016G) approved the Board's recommendation to increase the Company's share capital through a Rights Issue. In accordance with this Prospectus, (10,000,000) ten million ordinary Shares will be offered for subscription to a Rights Issue representing 100% of the Company's share capital before subscription at an Offering price of (SAR10) ten Saudi Riyals and a total Offering value of (SAR100,000,000) one hundred million Saudi Riyals. The new Shares will be offered at one share for every Right issue (one right per share). Subscription for the offered Rights Issue will be assigned to shareholders registered in the Company's

register at the close of trading on the day of the Extraordinary General Assembly (date of eligibility Sunday 26/10/1437H (corresponding to 31/07/2016G)) and to those eligible persons who purchased the Rights within the Rights Trading Period, including registered Shareholders who purchased additional Rights along with their original Rights.

In the event that Eligible Persons do not exercise their rights within the second offering period, the Rump Shares resulting from the non-exercised Rights and failure to sell such Rights will be offered to Institutional Investors through an Offering within the Rump Offering Period.

Registered Shareholders may trade the Rights deposited in their accounts through the Saudi Stock Exchange (Tadawul). Such Rights are considered an acquired right for all Shareholders registered in the Company's register as at the end of the day of the Extraordinary General Assembly (date of subscription eligibility). Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights shall be deposited within a maximum of two business days after the (EGM). The Rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The registered Shareholders will then be informed of the deposit of the Rights in their accounts.

The time frame for the sequence and details of the Rights Issue Offering will be as follows:

- **Eligibility Date:** The end of trading on the day of the Extraordinary General Assembly: Sunday 26/10/1437H (corresponding to 31/07/2016G).
- **First Offering Period:** Begins on Tuesday 06/11/1437H (corresponding to 09/08/2016G), and will continue until the end of Thursday 15/11/1437H (corresponding to 18/08/2016G) (the "First Offering Period"). During this period, only registered Shareholders may (in whole or in part) exercise their right to subscribe for new Shares within the limits of the number of Rights deposited in their accounts after the General Assembly. The subscription to the New Shares will only be approved subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and general Institutional and Individual Investors may trade in the Rights. New Shares will be subscribed for by submitting the Subscription Application to any of the branches of the Receiving Agents by filling the Subscription Form or via ATM, telephone, or electronic subscription with the Receiving Agents offering such service to subscribers. It is noteworthy that at the close of the Rights Trading Period, if a registered Shareholder owns a number of Rights less than the Rights exercised during the same period, the Subscription Application will be partially or fully rejected. The Subscriber will also be informed and the rejected subscription amount will be refunded to the registered Shareholder through the Receiving Agent.
- **Rights Trading Period:** Begins on Tuesday 06/11/1437H (corresponding to 09/08/2016G) and will continue until the end of Thursday 15/11/1437H (corresponding to 18/08/2016G), coinciding with the First Offering Period. (Tadawul) will arrange the mechanisms regulating the trading of the Rights in its systems, and a separate symbol independent from the symbol of Wataniya Insurance Company will be displayed on Tadawul's screen. Tadawul's system will remove the Company's Rights symbol after the close of the Rights Trading. This period includes the following options:
  - During this period, registered Shareholders may:
    - Retain the acquired Rights as of the eligibility date and exercise their Rights to subscribe to them via the receiving agents.
    - Sell the Rights by selling all or part thereof.
    - Buy and trade additional Rights. Subscription for additional Rights can be exercised only during the Second Offering Period by filling the Subscription Form or via ATM, telephone, or electronic subscription with the receiving agents offering such service to subscribers.
    - Do nothing in respect of the rights (not selling them and not exercising Rights thereof). The Rump Shares resulting from failure to exercise or sell such Rights will be offered during the Rump Offering.
  - Those who have purchased the Rights during this period may trade the Rights, whether by purchasing or selling all or part of these Rights. If they purchase and reserve the Rights in this period, they may exercise subscription thereto in the second offering period only via ATM, telephone, or electronic subscription with the Receiving Agents offering such service to subscribers. In the event that such Rights are not subscribed for within the Second Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell such Rights will be offered to Institutional Investors through an Offering within the Rump Offering Period.
- **Second Offering Period:** Starts on Sunday 18/11/1437H (corresponding to 21/08/2016G) and continues until the end of Tuesday 20/11/1437H (corresponding to 23/08/2016G) (the "Second Offering Period"). Rights may not be traded during this period, which will include the following steps:
  - Registered Shareholders owning Shares in the Company as of the eligibility date and who did not partially or fully exercise their Rights in the New Shares during the First Offering Period may exercise the Rights during such period in the same way illustrated in the Offering in the First Offering Period. If they purchase additional Rights within the Rights Trading Period, they may subscribe thereto during the Second Offering Period by filling the Subscription Form or via ATM, telephone, or electronic subscription with the Receiving Agents offering such service to subscribers. In the event that such Rights are not subscribed for within such period, such Rights will be offered within the Rump Offering Period.

- Investors who purchased the Rights during the Rights Trading Period and reserved them until the close of the Trading Period may subscribe thereto within that period in the same way illustrated in the Offering in the First Period. In the event that such Rights are not subscribed for within such period, the Rump Shares resulting from the unexercised Rights will be offered to Institutional Investors through an Offering within the Rump Offering Period.
- **Rump Offering Period:** Begins on Sunday 25/11/1437H (corresponding to 28/08/2016G) from 10 a.m. to 10 a.m. the following day, dated Monday 26/11/1437H (corresponding to 29/08/2016G). During this period, Rump Shares will be offered to Institutional Investors (referred to "as Investment Institutions"), provided that such Investment Institutions make offers for the Rump Shares. The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered by the relevant Institutional Investor with Shares being allocated on a proportional basis among those 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 unsubscribed Shares for this period will be offered at the Offer Price as the minimum price. In case the sale price of such Shares is higher than the Offer Price, the difference (if any) will be distributed as compensation to the Eligible Persons who did not exercise their Rights in the subscription in proportion to their respective Rights.
- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised by it. As for those entitled to fractional Shares, fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. Total offer price of the of Rump Shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump Shares and fractional Shares (in excess of Offer Price) shall be distributed to the Eligible Persons no later than Monday 04/12/1437H (corresponding to 05/09/2016G).
- **Trading of the New Shares on the Market:** Trading in the New Shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.

The Company has applied to the Capital Market Authority ("CMA") for registration and admission of the New Shares to the market. An application will be submitted to the CMA to allow trading of the New Shares after the completion of the Offering.

## 18-2 Eligible persons not participating in the subscription for the New Shares

Tadawul will adjust the Company's Share price after the close of trading of the Company's Shares on the day of the Extraordinary General Assembly on 26/10/1437H (corresponding to 31/07/2016G) based on the Offering price, the number of New Shares issued under this Prospectus and the market value of Shares listed at the time of closing. Registered Shareholders who do not participate in whole or in part in the subscription for the New Shares will be subject to reduction of their ownership percentage in the Company and of the value of Shares currently owned by them. As for persons who did not subscribe or sell their Rights, they will be subject to loss. Eligible Persons not participating in the subscription for New Shares will not gain any privileges or benefits in consideration of their Rights, except for receiving monetary compensation from the proceeds of Share selling in the Rump Offering as per entitlement (if any). Registered shareholders will have the same number of Shares owned by them before the capital increase.

In the event that Investment Institutions wish to purchase the Rump Shares for the Offering Price only, or if they do not wish to subscribe and thus the underwriters purchase the Rump Shares at the Offering Price, eligible persons not participating in the subscription will not receive any compensation due to not exercising their Rights in the New Shares.

The compensation amount (if any) will be determined for the eligible persons who did not partially or fully participate in the subscription for the New Shares and for the persons entitled to Fractional Shares by dividing the compensation amount by the total number of Shares unsubscribed for by the eligible persons and persons entitled to the Fractional Shares. Accordingly, compensation due for each Rump Share will be determined and paid to the person entitled who did not partially or fully subscribe to the Shares to which he is entitled to subscribe thereto and also to persons entitled to Fractional Shares.

## 18-3 Completion of the Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the Rights to which they are entitled must fill and submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Agents during the subscription phase.

The number of Shares that the Eligible Person is entitled to will be calculated based on the number of existing Rights owned prior to the closing of the Second Offering Period. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Period by SAR (10).

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the Company's Shares in the number of such Shares specified in the Subscription Application Form.
- Declares that he/she has read the Prospectus and understood all its contents.

- Accepts the by-laws of the Company and the terms set forth in this Prospectus.
- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing therefrom, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus.
- Has not subscribed to any shares under this Offering. The Company has the right to reject all of his/her applications if it is proven that he/she has submitted more than one application.
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form.
- Warrants not canceling or amending the Subscription Application Form after submitted to the Receiving Agent.

## 18-4 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Agents shall match the copy of each document with the original document and then return the original documents to the Subscriber:

- Original and copy of the National Identification Card (in case of an individual subscriber)
- Original and copy of the family identification card (for family members)
- Original and copy of the power of attorney (in case of authorizing another person for the subscription)
- Original and copy of the custody deed (for orphans) (for individual subscribers)
- Original and copy of the residence permit (Iqama) for non-Saudis (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

The subscription amount shall be paid in full upon submitting the Subscription Application form to a branch of one of the Receiving Agents, by authorizing the Receiving Agent to debit the account of the Subscriber at the Receiving Agent with the required amount, or through a certified check drawn at one of the local banks in favor of the Company.

Power of attorney will be restricted to first class relatives (children, parents, spouse). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He/She shall attach the original and a copy of a valid power of attorney issued by a notary public (for those who are living in Saudi Arabia) or legalized through a Saudi embassy or consulate in the relevant country (for those residing outside Saudi Arabia).

## 18-5 Submission of the Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Period and the Second Offering Period. If there is a Rump Offering Period, Subscription Application Forms can also be submitted during such period by Institutional Investors for any Rump Shares only. Subscription Application Forms can be delivered during either of the offering periods through a branch of the Receiving Agents, the telephone banking services section, ATMs, or internet banking of any of the Receiving Agents providing such services. The Subscription Application Form includes further information which is to be strictly followed. Upon signing and submitting the Subscription Application Form, the Receiving Agent shall stamp it and provide the Subscriber with a copy of it. If the information filled in the form turns out to be incomplete or incorrect, or the form is not stamped by the Receiving Agent, the Subscription Application Form will be considered void. An Eligible Person shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. Any application providing incomplete or incorrect information or not stamped by a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New Shares allocated to him/her when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Agents' branches.
- Payment in full by the Eligible Person to the Receiving Agents of the total Offer Price.
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Shares allocated to him/her.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares to which they subscribed for.

## 18-6 Allocation

The Company and Lead Manager shall open an escrow account called "Wataniya Insurance Company - Rights Issue", in which the subscription proceeds shall be deposited.

The Rights Issue Shares shall be allocated to the Eligible Persons based upon the number of Rights that he/she properly

exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total offer price of the Rump Shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump Shares and fractional Shares (in excess of the Offer Price) shall be distributed to the Eligible Persons no later than Monday 04/12/1437H (corresponding 05/09/2016G). Excess unsubscribed Shares shall be purchased by and allocated to the two Underwriters at the launch price.

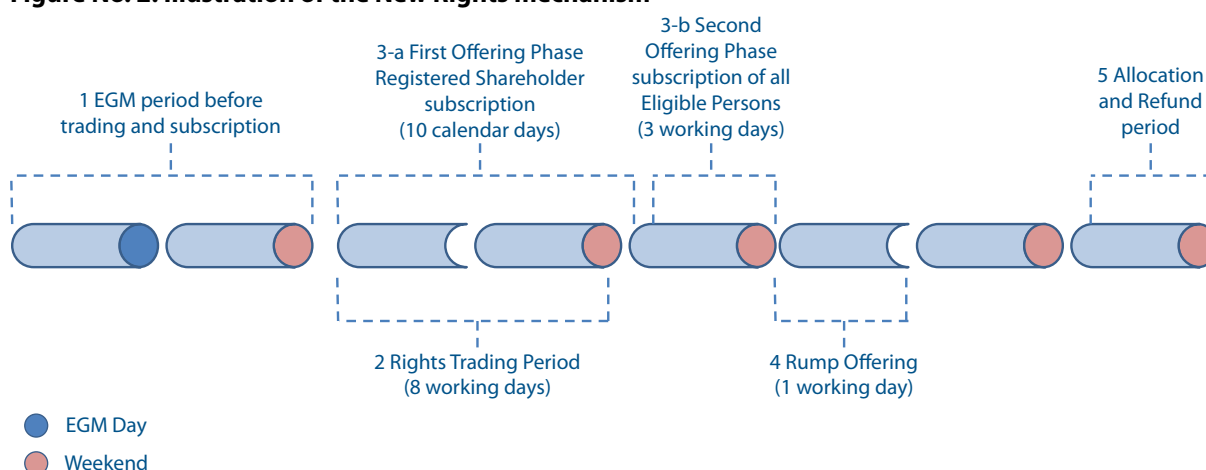
Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Agents is expected to take place by depositing the shares into the accounts of Subscribers with the receiving Agents. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Wednesday 28/11/1437H (corresponding to 31/08/2016G).

## 18-7 Compensation Payment

The compensation to Eligible Persons who do not subscribe to all or part of the Rights Issue, if any, shall be paid no later than Monday 04/12/1437H (corresponding to 05/09/2016G).

## 18-8 Illustration of the New Rights mechanism

**Figure No. 2: Illustration of the New Rights mechanism**



## 18-9 FAQs about the Rights Issue Mechanism

### What is a Rights Issue?

A Rights Issue of an offering of tradable securities that give their holders the priority to subscribe for New Shares offered upon approval of the capital increase of the Company. 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 for 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?

The Rights are deposited within two days after the EGM, and the Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the Trading and Offering Period.

### How are Registered Shareholders notified of the Rights being deposited in their accounts?

The Registered Shareholders are notified through an announcement on the Tadawul website.

### **How many Rights can be acquired by a Registered Shareholder?**

The number of Rights that may be acquired by a Registered Shareholder is subject to the Rights Issue ratio and the number of Shares held by the Registered Shareholder 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 200 new shares, its number of shares becomes 1,200, and the eligibility ratio is then (1) to (5) (i.e. one new share for every five existing shares).

### **Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?**

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

### **What is the Right value upon the trading commencement?**

The Right opening price is the difference between the Company's share closing price on the day preceding such Right listing and the Offer Price. For example: If the closing price of a share on the preceding day is SAR35 and the Offer Price is SAR10, the opening price of the Rights will be 35 minus 10, i.e. (SAR25) twenty-five Saudi Riyals.

### **Can Registered Shareholders subscribe for additional shares?**

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. The new additional shares acquired through purchasing new Rights may only be subscribed for during the Second Offering Period.

### **How does the Offering take place?**

The Subscription will take place as it currently does by submitting Subscription Application Forms to any of the Receiving Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

### **Is one allowed to subscribe more than once through more than one receiving bank?**

Yes, provided that the number of Shares subscribed to should not exceed the number of rights held at the end of the Trading Period, otherwise the subscription application will be canceled.

### **If the Company's shares are owned through more than one account, in which account the Rights will be deposited?**

Rights will be deposited to the same account where the related Shares exist. For example: if a shareholder owns (1,000) one thousand shares in the Company, (800 of them in account A and 200 in account B) the total number of Rights to be deposited are (1000) one thousand Rights (1 Right per Share). In this case (800) eight hundred Rights will be deposited in account A and (200) two hundred Rights will be deposited in account B.

### **In case of subscription through more than one account, where will the new shares be deposited after allocation?**

Shares will be deposited to the account given under the first Subscription Application Form.

### **Are share certificate holders allowed to subscribe and trade?**

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Agents or the Tadawul's depository center and submitting the requisite documents.

### **What happens if New Shares are subscribed to, and then the Rights have been sold after that?**

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights before the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.



**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.

**Is it possible to subscribe during the weekend between the First and Second Offering Periods?**

No, that is not possible.

**When can the shareholder subscribe for the Rights he/she purchased during the Trading Period?**

Only during the Second Offering Phase and after the end of Trading Period.

**Can the Eligible Person sell 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/her investment account.

**What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?**

The Rump Shares resulting from failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

**Will there be any additional fees for the trading in Rights?**

The same commissions applying to the shares will also apply on sale and purchase operations, without a minimum commission being imposed.

## **18-10 Trading of New Shares**

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after allocation of new shares in coordination with the CMA, and will be announced at a later date.

## **18-11 The Saudi Arabian Stock Exchange (Tadawul)**

The Saudi Arabian Stock Exchange remained unofficial until the early 1980s, when the Government began to consider a regulated market for trading and the creation of the necessary regulations for it. In 1984G, a ministerial committee was formed by the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA to regulate and develop the Exchange. SAMA was the government agency concerned with regulating and overseeing the Exchange until the Capital Market Authority was established on 02/06/1424H (corresponding to 31/07/2003G) pursuant to the Capital Market Law issued by Royal Decree No. (M/30). CMA oversees regulation and control of the Exchange through the issuance of regulations and rules aimed at protecting investors and ensuring fairness and efficiency in the Exchange.

The Saudi Arabian Council of Ministers, in its session held on Monday, 29/02/1428H (corresponding to 19/03/2007G) chaired by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz, approved the establishment of a Saudi joint stock company under the name the "Saudi Stock Exchange" (Tadawul). The decision was issued to implement Article (20) twenty of the Capital Market Law, which requires the legal capacity of the Saudi Stock Exchange to be a joint stock company.

Trading on Tadawul takes place through a fully integrated trading system ("TADAWUL") through an integrated process covering the entire process from trade order through settlement. Trading occurs each business day between 10:00 a.m. and 3:00 p.m., from Sunday until Thursday of each week. After close of exchange trading, orders can be entered, amended or deleted from 9:30 a.m. until 10:00 a.m. and from 3:00 p.m. until 3:30 p.m. New entries and inquiries can be made from 9:30 a.m. of the opening session (starting at 10:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul's management.

Tadawul system works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including, in particular, the Tadawul website, and supplies trading data in real time to licensed information providers. Transactions are settled automatically during the day, i.e. ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

## **18-12 Registration in the Saudi Stock Exchange**

An application has been made to the CMA to register and include the New Shares in the official Saudi market listing. The Prospectus has been approved and all requirements has been met.

The registration is expected to be approved and trading to commence on the Saudi Stock Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed subject to approval of the CMA.

Although the Existing Shares are registered in the Exchange (Tadawul) and the Company is listed therein, it will only be possible to trade in the New Shares once the allocation of the New Shares has been approved and the New Shares have been deposited in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved.

Subscribers or proposal providers in the Rump Offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

## **18-13 Resolutions and Approvals under which shares are offered**

The Company obtained SAMA's final approval under letter No. (371000004974) dated 12/01/1437H (corresponding 25/10/2015G) to increase its share capital by (SAR100,000,000) one hundred million Saudi Riyals to reach (SAR200,000,000) two hundred million Saudi Riyals.

On 26/06/1436H (corresponding to 15/04/2015G), the Company's Board of Directors recommended increase of the Company's share capital from (SAR100,000,000) one hundred million Saudi Riyals after obtaining the necessary statutory approvals to increase the Company's capital by issuing (SAR10,000,000) New Shares.

The Extraordinary General Assembly approved the Board's recommendation on 26/10/1437H (corresponding to 31/07/2016G), increasing the share capital as mentioned above. The increase will be restricted to eligible registered shareholders 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 26/10/1437H (corresponding to 31/07/2016G).

It should be noted that the shares of the Company's constituent shareholders will be subject to the obligation to obtain SAMA's approval before the constituent shareholders can dispose of their shares.

## **18-14 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 has been 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.
- Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by CMA and before approving the listing of Shares in the market, becomes aware of:
  - 1- A significant change that has occurred in any of the key information contained in this Prospectus or any of the documents required to be included under the Listing Rules.
  - 2- Any additional issues that should have been included in this Prospectus.
  - 3- If the EGM does not approve any of the details of this Offering.

In cases (1) and (2) above, it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates.

## 18-15 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 43.60 and it is expected to reach SAR 26.80 in the opening session the next day. The change represents a decrease of 38.53%.

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:

(The market value of the Company at the close of the day of the Extraordinary General Assembly + the value of the offered shares) / (the number of shares at the end of the day of the Extraordinary General Assembly + the number of New Shares offered in the Offering) = share price reset for the opening session on the day following the day of the Extraordinary General Assembly.

## 19. Documents Available for Inspection

Except for the decision of the Company's Extraordinary General Assembly approving the capital increase, the following documents will be available for inspection at the Company's head office in Jeddah during official working hours, from 9:00 a.m. to 5:00 p.m. 20 days before the Offering Period and throughout the Offering Period.

### **Incorporation / Company Documents:**

- The Company's Commercial Registration
- The Company's by-laws

### **Approvals related to the capital increase shares:**

- Recommendation of the Board of Directors regarding the capital increase
- SAMA's approval of the capital increase
- CMA's approval to the Rights Issue Offering
- Resolution of the Extraordinary General Assembly approving the capital increase\*

### **Reports, Letters, and Documents:**

- Material contracts and agreements referenced in this Prospectus
- Contracts to be disclosed pursuant to sub-clause (1-i) of section (13) of annex (4) of the Listing Rules
- Written consent from the Financial Advisor, Lead Manager and Underwriter, Arab National Investment Company, to include its name, logo and statements in the Prospectus
- Written consent from the underwriter, Saudi Hollandi Capital, to include its name and logo in the Prospectus
- Written consent from the Financial Due Diligence Advisor, KPMG Al Fozan & Partners, to include their report and name in the Prospectus
- Written consent from the Legal Advisor, Meshal Al Aqeel Attorney & Consultation Office in collaboration with Hourani & Associates, to include their name, logo and statements in the Prospectus
- Written consent from the certified public accountants, PricewaterhouseCoopers, Ernst & Young, Deloitte & Touche, and Bakr Abulkair & Co. to include their names and logos in the Prospectus as the auditors of the financial statements
- Written consent from the actuary, Manar Sigma Financial Consulting, to include its name, logo and statement in the Prospectus
- Market reports used to prepare Section 3 containing market and sector information within the Prospectus

### **Financial Data**

- The audited financial statements of Wataniya Insurance Company for the financial years that ended 31 December 2013G, 31 December 2014G, and 31 December 2015G and the auditors' report thereof

\*The decision of the Company's Extraordinary General Assembly to increase the share capital will be available for inspection at the Company's head office in Jeddah in the day following the decision date.

## 20. Auditors' Report

**WATANIYA INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Financial statements and independent auditors' report**  
**For the year ended December 31, 2015**

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PricewaterhouseCoopers  
P.O. Box 15415, Jeddah 21454  
Kingdom of Saudi Arabia



Ernst & Young & Co. (Public Accountants)  
111 Fajer - Naga's Road Tower  
PO Box 1994  
King Abdulaziz Road (Jeddah Road)  
Jeddah 21441  
Saudi Arabia  
Registration Number: 45

## INDEPENDENT AUDITORS' REPORT

To the shareholders of Wataniya Insurance Company  
Jeddah, Saudi Arabia  
(A Saudi Joint Stock Company)

### Scope of Audit

We have audited the accompanying statement of financial position of Wataniya Insurance Company - a Saudi joint stock company - ("the Company") as at December 31, 2015, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for year ended December 31, 2015 and the related notes from 1 to 29 which form an integral part of the 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 ("IFRS") and the provisions of Article 123 of the Regulations for Companies and presented 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 of 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 basis for our opinion.

### 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 of December 31, 2015 and the results of its operations and its cash flows for the year then ended, in accordance with IFRS; and
- Comply, with the requirements of the Regulation for companies and the Company's by-laws with respect to 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 IFRS and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for PricewaterhouseCoopers

Yaseen A. Abu Alkheer  
Certified Public Accountant  
Licence Number 375

for Ernst & Young

Ahmed I. Reda  
Certified Public Accountant  
Licence Number 356



13 Jumad-ul-Awal 1437H  
22 February 2016  
Saudi Arabia, Jeddah







WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of financial position  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	101,532	72,814
Premiums receivable	5	92,757	61,117
Reinsurers' share of unearned premiums	6, 23	130,839	115,561
Reinsurers' share of outstanding claims	6, 7, 23	145,964	152,606
Due from reinsurers	8	20,483	11,614
Deferred policy acquisition costs	6	43,847	36,551
Due from shareholders' operations		37,666	22,394
Prepaid expenses and other assets	9	10,216	7,127
<b>Total insurance operations' assets</b>		<b>583,304</b>	<b>479,784</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	192	272
Investments	10	81,939	77,459
Advance against an investment	10	-	1,923
Prepaid expenses and other assets	9	890	1,276
Property and equipment	11	1,848	1,971
Statutory deposit	12	10,000	10,000
<b>Total shareholders' assets</b>		<b>94,869</b>	<b>92,901</b>
<b>TOTAL ASSETS</b>		<b>678,173</b>	<b>572,685</b>

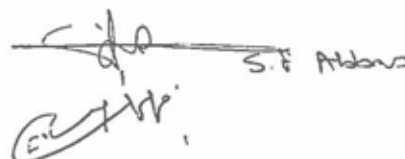
The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
S.F. Aldous  


WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of financial position (continued)  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at December 31,	
	Note	2015	2014
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Insurance operations' liabilities			
Unearned premiums	8	226,913	186,192
Outstanding claims	8	216,724	193,631
Unearned reinsurance commission	6	48,286	41,298
Reinsurance reserves		3,597	-
Due to reinsurers, agents, brokers and third party administrators	13	30,084	34,123
Due to policyholders	14	35,310	10,012
Accrued expenses and other liabilities	15	19,674	11,812
<b>Total insurance operations' liabilities</b>		<b>580,588</b>	<b>477,068</b>
Insurance operation surplus			
Accumulated surplus from insurance operations		2,716	2,716
<b>Total insurance operations' liabilities and surplus</b>		<b>583,304</b>	<b>479,784</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
Shareholders' liabilities			
Zakat and income tax payable	16	1,602	2,332
Accrued expenses and other liabilities	15	23	40
Due to insurance operations		37,666	22,394
<b>Total shareholders' liabilities</b>		<b>39,291</b>	<b>24,766</b>
Shareholders' equity			
Share capital	17	100,000	100,000
Accumulated losses		(44,422)	(31,865)
<b>Total shareholders' equity</b>		<b>55,578</b>	<b>68,135</b>
<b>Total shareholders' liabilities and equity</b>		<b>94,869</b>	<b>92,901</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>678,173</b>	<b>572,685</b>


The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

 S. F. Abdou

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of Insurance operations and accumulated surplus  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2015	2014
<b>REVENUE</b>			
Gross written premiums	6	518,709	433,911
Less: Reinsurance premiums ceded	6	(284,364)	(267,618)
Net written premiums		234,345	166,293
Change in net unearned premiums		(25,443)	25,166
Net earned premiums	6	208,902	191,459
Commission earned on ceded reinsurance	6	68,116	71,902
Other income	19	5,633	210
<b>Total revenue</b>		<b>282,651</b>	<b>263,571</b>
<b>COST AND EXPENSES</b>			
Gross claims paid	6	236,517	346,907
Reinsurers' share of claims paid	6	(90,601)	(189,902)
Net claims paid	6	145,916	157,005
Changes in outstanding claims		29,735	(7,509)
Net claims incurred	6	175,651	149,496
Policy acquisition costs	6	61,244	68,852
Reinsurance reserves		3,597	-
Premium deficiency reserves		-	(6,233)
General and administration expenses	20	51,368	39,243
<b>Total cost and expenses</b>		<b>291,860</b>	<b>251,158</b>
<b>(Deficit) surplus from insurance operations</b>		<b>(9,209)</b>	<b>12,413</b>
Shareholders' share of deficit (surplus) from insurance operations		9,209	(11,172)
Insurance operations' surplus after shareholders' appropriation		-	1,241
Accumulated surplus at the beginning of the year		2,716	1,475
<b>Accumulated surplus at the end of the year</b>		<b>2,716</b>	<b>2,716</b>

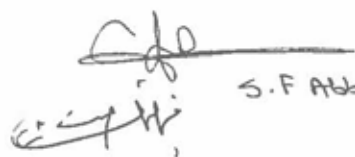
The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
J. F. Adnan

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of shareholders' operations  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2015	2014
Shareholders' share of (deficit) surplus from insurance operations		(9,209)	11,172
General and administration expenses	20	(3,213)	(2,435)
Investment income	10 3	896	1,814
Other income	19	664	999
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(10,862)</b>	<b>11,550</b>
Weighted average number of ordinary shares outstanding (in thousands)	17	10,000	10,000
Basic and diluted (loss) earnings per share (in Saudi Riyals)	22	(1.086)	1.155

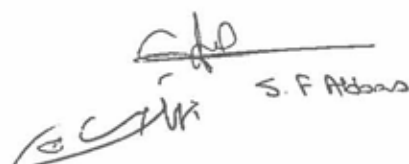
The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
S.F. Abbas

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of shareholders' comprehensive income  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2015	2014
NET (LOSS) / INCOME FOR THE YEAR		(10,862)	11,550
Items that will not be reclassified to statement of shareholders' operations			
Provision for zakat and income tax	16.2	(1,695)	(2,363)
Income tax reimbursable by foreign shareholders	16.2	-	904
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(12,557)	10,091



The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
S. F. Abbas

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of changes in shareholders' equity  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Accumulated losses	Total
January 1, 2015		100,000	(31,865)	68,135
Net loss for the year		-	(10,862)	(10,862)
Provision for zakat	16.2	-	(1,695)	(1,695)
December 31, 2015		100,000	(44,422)	55,578
January 1, 2014		100,000	(41,956)	58,044
Net income for the year		-	11,550	11,550
Provision for zakat and income tax	16.2	-	(2,363)	(2,363)
Income tax recovered from foreign shareholders	16.2	-	904	904
December 31, 2014		100,000	(31,865)	68,135

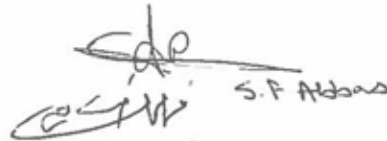
The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
S.F. Abdou  


**WATANIYA INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**Statement of insurance operations' cash flows**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2015	2014
Cash flow from operating activities			
Insurance operations surplus for the year after shareholders' appropriation		-	1,241
Adjustments for:			
Shareholders' share of (deficit) / surplus from insurance operations		(9,209)	11,172
Provision for doubtful receivables	5	3,412	1,574
Provision for doubtful reinsurance receivables	8	3,969	950
Reinsurers' share of unearned premiums		(15,278)	(17,236)
Deferred policy acquisition costs		(7,296)	(4,892)
Unearned premiums		40,721	(7,930)
Unearned reinsurance commission		6,988	11,719
Reinsurance reserves		3,597	-
Premium deficiency reserve		-	(6,233)
Changes in operating assets and liabilities:			
Premiums receivable		(35,052)	(7,819)
Reinsurers' share of outstanding claims		6,642	118,847
Due from reinsurers		(12,838)	(144)
Prepaid expenses and other assets		(3,089)	14,646
Outstanding claims		23,093	(126,356)
Due to reinsurers, agents, brokers and third party administrators		(4,039)	4,376
Due to policyholders		25,298	(3,284)
Accrued expenses and other liabilities		7,862	801
Due to shareholders' operations		(6,063)	(1,779)
Net cash generated from/(used in) operating activities		28,718	(10,347)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		28,718	(10,347)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		72,814	83,161
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	101,532	72,814

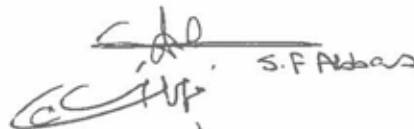
The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

  
S.F. Abbas

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of shareholders' operation cash flows**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

		Year ended December 31,	
	Note	2015	2014
<b>Cash flow from operating activities</b>			
Net (loss) / income for the year		(10,862)	11,550
Adjustments for:			
Shareholders' share of deficit / (surplus) from insurance operations		9,209	(11,172)
Depreciation	11	1,207	1,746
Investment income	10.3	(896)	(1,814)
Losses on disposal of property and equipment		-	13
		(1,342)	323
Changes in operating assets and liabilities:			
Due to insurance operations		6,063	1,779
Accrued expenses and other liabilities		(17)	(107)
Prepaid expenses and other assets		(518)	(252)
<b>Net cash generated from operating activities</b>		<b>4,186</b>	<b>1,743</b>
<b>Cash flow from investing activities</b>			
Purchase of property and equipment	11	(1,084)	(1,084)
Proceeds from disposal of property and equipment		-	145
Dividend received	10.3	339	-
Additions to investments	10.1	(2,000)	-
<b>Net cash used in investing activities</b>		<b>(2,745)</b>	<b>(939)</b>
<b>Cash flow from financing activities</b>			
Income tax recovered from foreign shareholders		657	-
Zakat and income tax paid	16.2	(2,178)	(1,237)
<b>Net cash used in financing activities</b>		<b>(1,521)</b>	<b>(1,237)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(80)</b>	<b>(433)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>272</b>	<b>705</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	<b>192</b>	<b>272</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION</b>			
Income tax receivable from foreign shareholder adjusted against prepaid expenses and other assets	9	-	904

The accompanying notes on pages 11 to 37 form an integral part of these financial statements.

 S.F. Abbas



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements at December 31, 2015**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**1 Organization and principal activities**

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative Insurance principles in accordance with Royal Decree No M/53 dated Shawwal 21, 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on June 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its Articles of Association and applicable regulations in Saudi Arabia.

**2 Basis of preparation**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Basis of Presentation**

The Company presents its statements of financial position broadly in order of liquidity. All financial assets and liability expect for investments and statutory deposits are expected to be recovered and settled respectively within twelve months after the reporting date.

As required by Saudi Arabian Insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenue and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	<u>100%</u>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the Saudi Arabian Monetary Agency ("SAMA") Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

**Basis of measurement**

These financial statements are prepared under the historical cost convention modified to include the measurement of fair value through income statement investment at their fair value.

**Functional and presentation currency**

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

**Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in compliance with IFRS 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 period. 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.

## 2 Basis of preparation (continued)

### Critical accounting judgments, estimates and assumptions (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 and 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 prior to 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 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 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 recognised 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.

(iii) *Deferred acquisition costs*

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional write-offs in the statement of insurance operations and accumulated surplus.

(iv) *Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

## 3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Cash and cash equivalents

For the purpose of the statement of insurance operations and shareholders' cash flows, cash and cash equivalents comprise of bank current accounts and highly liquid investments 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 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 period.

Insurance contracts are principally divided into marine, property, motor, engineering, accident & liability, extended warranty and term life and are principally short term insurance contracts.

**3 Summary of significant accounting policies (continued)**

**Insurance contracts (continued)**

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "sum insured" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

**Reinsurance**

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.



3 Summary of significant accounting policies (continued)

**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 amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;
- 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 reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations and accumulated surplus or shareholders' operations are adjusted.

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 flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

**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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Deferred policy acquisition costs**

Direct and indirect costs incurred during the financial period 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 insurance operations and accumulated surplus.

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 insurance operations and accumulated surplus. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

**Financial assets at fair value through income statement (FVIS)**

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

3 Summary of significant accounting policies (continued)

**Financial assets at fair value through income statement (FVIS) (continued)**

'Financial assets carried at fair value through income statement' are initially recognised at fair value, and transaction costs are expensed in the statement of shareholder's operations. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are presented in the statement of shareholders' operations within 'investment income' in the period in which they arise. Dividend income from 'financial assets at fair value through income statement' is recognised in the statement of shareholders' operations as part of 'investment income' when the Company's right to receive payments is established.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. The quoted market price used for financial assets held by the Company is the current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

**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 and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against in the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative cost - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit and loss - is removed from statement of other comprehensive income ("OCI") and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

**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 carried at cost less accumulated depreciation and impairment, except for capital work in progress which is stated at cost. Depreciation is charged to the statement of shareholders' operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

3 Summary of significant accounting policies (continued)

Property and equipment (continued)

	Number of years
• Furniture and fixtures	5
• Office equipment	2 - 3
• Motor vehicles	4

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

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

**Provisions for obligations**

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.

**Trade and other payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Liabilities are recognized for amounts to be paid for services received, whether or not billed to the Company.

**Foreign currency translation**

Foreign currency transactions are translated 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 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 rate of monetary assets and liabilities denominated in foreign currencies are included in the statement of insurance operations and accumulated surplus or shareholders' operations.

**Liability adequacy test**

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

**Insurance and other receivables**

Insurance and other receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.



3 Summary of significant accounting policies (continued)

**End-of-service benefits**

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

**Revenue recognition**

*Recognition of premiums and commission revenue*

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents 25% of the total premiums written during the current financial period.

**Revenue recognition (continued)**

*Commission income*

Commission 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 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 insurance operations and accumulated surplus for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

**Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell a (usually damaged) vehicle or a property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

**De-recognition of financial instruments**

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

3 Summary of significant accounting policies (continued)

**Offsetting**

Financial assets and 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 insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

**Leases**

Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

**Zakat and income taxes**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

**Segment reporting**

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

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

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured's death.

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

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

**Seasonality of operations**

There are no seasonal changes that affect insurance operations.



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<b>4</b>	<b>Cash and cash equivalents</b>		
		<b>2015</b>	<b>2014</b>
	<i>Insurance operations</i>		
	Cash in hand	30	24
	Cash at bank	14,627	25,915
	Time deposits	86,875	46,875
		<b>101,532</b>	<b>72,814</b>
	<i>Shareholders' operations</i>		
	Cash at bank	192	272

Cash at bank and time deposits are with a bank which is a related party and registered in Saudi Arabia and are denominated in Saudi Arabian Riyals and US dollars. Time deposits yield financial income at prevailing market rates.

<b>5</b>	<b>Premiums receivable</b>		
		<b>2015</b>	<b>2014</b>
	<i>Insurance operations</i>		
	Policy holders	103,164	68,112
	Provision for doubtful receivables	(10,407)	(6,995)
		<b>92,757</b>	<b>61,117</b>
	Movement in provision for doubtful receivables is as follows:		
		<b>2015</b>	<b>2014</b>
	January 1	6,995	5,421
	Additions during the year	3,412	1,574
	December 31	<b>10,407</b>	<b>6,995</b>

As at December 31, the ageing of unimpaired receivables is as follows:

	Total	-----Past due but not impaired-----			
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
December 31, 2015	92,757	49,849	31,570	10,942	396
December 31, 2014	61,117	35,880	15,105	9,775	357

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia. The Company's terms of business generally require amounts to be paid at the date of the transaction.

Five largest customers account for 26% (2014: 27%) of outstanding accounts receivable as at December 31, 2015.

Management considers its external customers to be individual policyholders. Three customers of the Company accounts for more than 5% of the gross written premiums for the year ended December 31, 2015 (2014: Two customers). The total premiums attributable to the said customers was Saudi Riyals 89 million for the year (2014: Saudi Riyals 52 million), which is included in the marine, property, motor and extended warranty segments.

<b>6</b>	<b>Movements in unearned premiums, unearned reinsurance commission, deferred policy acquisition costs and outstanding claims</b>		
		<b>2015</b>	<b>2014</b>
	<i>Insurance operations</i>		
	<i>a) Unearned premiums</i>		
	Gross written premium	518,709	433,911
	Gross unearned premiums at the beginning of the year	186,192	194,122
		<b>704,901</b>	<b>628,033</b>
	Gross unearned premiums at the end of the year	(226,913)	(186,192)
	Gross premium earned	<b>477,988</b>	<b>441,841</b>
	Reinsurance premium ceded	(284,364)	(267,618)
	Reinsurance share of unearned premiums at the beginning of the year	(115,561)	(98,325)
		<b>(399,925)</b>	<b>(365,943)</b>
	Reinsurance share of unearned premiums at the end of the year	130,839	115,561
	Insurance premium ceded to reinsurers	<b>(269,086)</b>	<b>(250,382)</b>
	Net earned premium	<b>208,902</b>	<b>191,459</b>

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**6 Movements in unearned premiums, unearned reinsurance commission, deferred policy acquisition costs and outstanding claims (continued)**

	2015	2014
<i>Insurance operations</i>		
<i>b) Unearned reinsurance commission</i>		
January 1	41,298	29,579
Commission accrued	75,104	83,621
Commission earned	(68,116)	(71,902)
December 31	48,286	41,298

	2015	2014
<i>Insurance operations</i>		
<i>c) Deferred policy acquisition costs</i>		
January 1	36,551	31,659
Costs accrued	68,540	73,544
Costs charged	(61,244)	(68,652)
December 31	43,847	36,551

*Insurance operations*  
*d) Outstanding claims*

	Gross	Reinsurers' Share	Net
January 1, 2015	193,631	(152,606)	41,025
Claims incurred	259,610	(83,959)	175,651
Claims paid	(236,517)	90,601	(145,916)
December 31, 2015	216,724	(145,964)	70,760
Outstanding claims	138,574	(102,880)	35,694
Incurred but not reported	78,150	(43,084)	35,066
December 31, 2015	216,724	(145,964)	70,760
January 1, 2014	319,987	(271,453)	48,534
Claims incurred	220,551	(71,055)	149,496
Claims paid	(346,907)	189,902	(157,005)
December 31, 2014	193,631	(152,606)	41,025
Outstanding claims	133,559	(112,918)	20,641
Incurred but not reported	60,072	(39,688)	20,384
December 31, 2014	193,631	(152,606)	41,025

**Claims Triangulation Analysis by Accident Year**

The Company maintains 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. Claims triangulation analysis is by accident years spanning a number of financial years.

Accident year	2010	2011	2012	2013	2014	2015	Total
At the end of accident year	17,389	153,594	197,049	457,958	177,403	244,474	
One year later	21,544	160,186	212,017	504,961	186,945	-	
Two years later	20,389	159,276	209,929	507,702	-	-	
Three years later	20,434	157,502	211,945	-	-	-	
Four years later	20,436	158,290	-	-	-	-	
Five years later	20,460	-	-	-	-	-	
Ultimate paid claims (estimated)	20,460	158,290	211,945	507,702	186,945	244,474	1,329,816
Cumulative paid claims	(13,329)	(147,715)	(181,027)	(422,960)	(203,514)	(144,547)	(1,113,092)
Outstanding claims + IBNR	7,131	10,575	30,918	84,742	(16,569)	99,927	216,724

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**7 Reinsurers' share of outstanding claims**

	2015	2014
<i>Insurance operations</i>		
Reinsurers' share of outstanding claims	145,964	152,606
Impairment provision	-	-
	<u>145,964</u>	<u>152,606</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 amounts due from reinsurers.

**8 Due from reinsurers**

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Four reinsurers represent 53% (2014: Three reinsurers represent 60% of the total amount due from reinsurers).

	2015	2014
<i>Insurance operations</i>		
Reinsurers	25,402	12,564
Provision for doubtful receivables	(4,919)	(950)
	<u>20,483</u>	<u>11,614</u>

Movement in provision for doubtful receivables is as follows:

	2015	2014
January 1	950	-
Additions	3,969	950
December 31	<u>4,919</u>	<u>950</u>

**9 Prepaid expenses and other assets**

	Note	2015	2014
<i>Insurance operations</i>			
Prepayments		3,405	1,642
Staff receivables	21	1,865	1,376
Others		4,946	4,109
		<u>10,216</u>	<u>7,127</u>

Prepayments include an amount of Saudi Riyals 2,447,951 (2014: Nil), representing expenses paid in connection with the share capital increase. (See Note 17).

	Note	2015	2014
<i>Shareholder operations</i>			
Income taxation receivable from foreign shareholders	16.2	-	904
Prepayments and other assets	21	704	186
Zakat paid under protest	16.3	186	186
		<u>890</u>	<u>1,276</u>

**10 Investments**

	Note	2015	2014
<i>Shareholder operations</i>			
Fair value through income statement investments	10.1	80,016	77,459
Available-for-sale investments	10.2	1,923	-
		<u>81,939</u>	<u>77,459</u>

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**10 Investments (continued)**

**10.1 Fair value through income statement investments (FVIS)**

FVIS investment are managed by professional fund managers in accordance with the guidelines approved by the Board of Directors.

Movement in investment is as follows:

	Note	2015	2014
Opening balance		77,459	75,645
Additions during the year		2,000	-
Net change in fair value	10.3	557	1,814
Closing balance		80,016	77,459

**10.2 Available-for-sale investments**

During the year, the Company has been allotted with 192,308 shares representing 3.85% holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company in lieu of an advance paid earlier. These shares are un-quoted and recorded at cost. Accordingly, the Company has reclassified the amount presented as an advance as at 31 December 2014 to available-for-sale investments.

**10.3 Investment income**

	Note	2015	2014
Net change in fair value	10.1	557	1,814
Dividend income		339	-
		896	1,814

**11 Property and equipment**

	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
<b>Shareholders' operations</b>					
<b>Cost</b>					
Furniture and fixtures	533	171	-	-	704
Office equipment	6,356	913	-	-	7,269
Motor vehicles	553	-	-	-	553
	7,442	1,084	-	-	8,526
<b>Accumulated depreciation</b>					
Furniture and fixtures	(190)	(112)	-	-	(302)
Office equipment	(5,074)	(958)	-	-	(6,032)
Motor vehicles	(207)	(137)	-	-	(344)
	(5,471)	(1,207)	-	-	(6,678)
Net book amount	1,971				1,848
	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
<b>Shareholders' operations</b>					
<b>Cost</b>					
Furniture and fixtures	483	50	-	-	533
Office equipment	5,027	880	-	449	6,356
Motor vehicles	615	154	(216)	-	553
Capital work in progress	449	-	-	(449)	-
	6,574	1,084	(216)	-	7,442
<b>Accumulated depreciation</b>					
Furniture and fixtures	(89)	(101)	-	-	(190)
Office equipment	(3,570)	(1,504)	-	-	(5,074)
Motor vehicles	(124)	(141)	58	-	(207)
	(3,783)	(1,746)	58	-	(5,471)
Net book amount	2,791				1,971

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**12 Statutory deposit**

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Agency ("SAMA"), the Company has deposited 10% of its share capital, amounting to Saudi Riyals 10 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank, which is also a related party, and can be withdrawn only with the consent of SAMA. The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

**13 Due to reinsurers, agents, brokers and third party administrators**

	2015	2014
<i>Insurance operations</i>		
Reinsurers	10,509	14,245
Agents and brokers	17,000	13,491
Third party administrators	2,575	6,387
	<u>30,084</u>	<u>34,123</u>

**14 Due to policyholders**

Due to policyholders represent claims due to certain policyholders. One policyholder's (2014: One policy holder) balance comprises 49% (2014: 13%) of the outstanding due to policyholders balance as at December 31, 2015.

**15 Accrued expenses and other liabilities**

	2015	2014
<i>Insurance operations</i>		
Accrued expenses	7,642	4,413
Provision for reinsurance's withholding tax	1,833	441
Payable to garages and workshops	5,471	3,763
End of service benefits	3,909	2,684
Commission payable	549	269
SAMA inspection fee	270	242
	<u>19,674</u>	<u>11,812</u>
	2015	2014
<i>Shareholders' operations</i>		
Other payable	23	40

**16 Zakat and income tax**

**16.1 Components of zakat base**

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are as follows:

	2015	2014
Share capital	74,440	74,440
Adjusted net (loss) income for the year	(408)	13,165
Accumulated losses brought forward	(7,328)	(27,026)
Property and equipment	(1,375)	(1,467)
Statutory reserve	(7,444)	(7,444)
Opening reserves	7,908	5,442
Zakat base	<u>65,793</u>	<u>57,110</u>

**16.2 Provision for zakat and income tax**

	2015	2014
January 1	2,332	1,206
Provision	1,695	2,363
Payments	(2,178)	(1,237)
Reduction in tax recoverable	(247)	-
December 31	<u>1,602</u>	<u>2,332</u>



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**16 Zakat and income tax (continued)**

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company after deducting allowed portion of brought forwarded accumulated losses. No provision for income tax is made as the Company has incurred a taxable loss for the year ended December 31, 2015. (December 31, 2014: income tax provision of Saudi Riyals 0.904 million).

**16.3 Status of final assessments**

The Company has filed its returns with Department of Zakat and Income Tax (DZIT) from inception up to 2014. During 2012, DZIT has raised the final assessment for the Company's first period from April 26, 2010 (date of Ministerial Resolution) to December 31, 2011 and claimed additional zakat of Saudi Riyals 272,620 and additional withholding taxes of Saudi Riyals 296,949.

Management had appealed against such additional assessments. The Preliminary Appeal Committee ruled in favour of the DZIT. During 2014, the Company settled the entire additional claim of withholding taxes liability and paid additional zakat of Saudi Riyals 186,110 under appeal. During 2015, the DZIT issued the amended tax and zakat assessment for 2012 levying additional zakat of Saudi Riyals 8,651. The Company has filed its objection against the additional assessment and has obtained a favourable ruling from the Preliminary Zakat and Income Tax Objection Committee.

No assessments have yet been raised by the DZIT for 2013 and 2014.

**17 Share capital**

The share capital of the Company is Saudi Riyals 100 million divided into ten million shares of Saudi Riyals 10 each. On October 25, 2015 the Company's application for capital increase from Saudi Riyals 100 million to Saudi Riyals 200 million through a rights issue was approved by Saudi Arabian Monetary Agency, subject to completion of required procedures including getting the approval from the Capital Market Authority. The Company expects the share capital increase formalities to be completed during 2016.

**18 Statutory reserve**

In accordance with the Insurance Regulations in the Kingdom of Saudi Arabia, the Company is required to transfer 20% of the net income for the year to a statutory reserve until such reserve equals 100% of its share capital. No transfers have been made during 2015 and 2014 as the Company had incurred losses.

**19 Other income**

	Note	2015	2014
<b>Insurance operations</b>			
Profit commission		4,059	-
Share of surplus from Al Manafeth	19.1	1,362	-
Bank commission income	21	212	210
		<u>5,633</u>	<u>210</u>
<b>Shareholder operations</b>			
Miscellaneous		664	999

19.1 This represents the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance Fund (the Fund). The Company with twenty four other insurance companies operating in the Kingdom of Saudi Arabia, have entered into an agreement with 'The Company for Cooperative Insurance' (CCI) effective from January 1, 2015 for three years, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except from the Kingdom of Bahrain. As per the agreement CCI will receive 4.25 percent of Fund's gross written premiums to cover the related indirect expense along with 15 percent management fee of the net results of the Fund's portfolio. The remaining results after the aforesaid distribution is due to be shared equally by the CCI and above mentioned twenty five insurance companies including the Company.

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20 General and administration expenses

	Note	2015	2014
<i>Insurance operations</i>			
Employee costs		30,566	25,669
Provision for doubtful receivables	5	3,412	1,574
Provision for doubtful reinsurance receivables	8	3,969	950
Office expenses		2,941	2,922
Legal and professional fees		1,663	1,780
Regulatory fees		2,207	1,713
Directors' expenses	21	64	59
Provision for withholding tax		2,259	1,853
Other		4,287	2,723
		<u>51,368</u>	<u>39,243</u>
<i>Shareholders' operations</i>			
Depreciation	11	1,207	1,746
Directors' expenses	21	1,360	57
Other		646	632
		<u>3,213</u>	<u>2,435</u>

21 Related party matters

Related parties represent major shareholders, directors and key management personal of the Company and entities controlled or significantly influenced by such parties.

The Company in the normal course of business carries out transactions with its related parties. The transactions are made on terms equivalent to an arm's length transaction and the transactions are approved by the board of directors.

The significant transactions with related parties and the related amounts are as follows:

Related Party	Nature of Transactions	2015	2014
Board Members	Directors' expenses	1,424	116
Ex Managing director	Fees and related expenses	31	297
Key management personnel	- Remuneration and related expenses	7,863	7,336
	- Loans and advances	545	315
Shareholders' and related parties (common ownership)	- Insurance premiums	79,035	77,122
	- Claims paid	25,520	23,914
	- Facultative premiums (net)	4,077	3,164
	- Expenses reimbursement	100	300
	- Expenses incurred	3,549	3,395
	- Claims and expenses paid on behalf of a shareholder charged at cost	7,503	6,589
	- Amount received from a shareholder for claims and expenses charged at cost paid on its behalf	6,777	7,255
	- Bank commission income	212	210
	- Purchase of property and equipment	121	553

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**21.1 Related party matters (continued)**

Balances with related parties	2015	2014
Premium receivable from related parties	5,886	3,170
Cash and cash equivalents with a shareholder	101,694	73,062
Amounts due for facultative premiums to a shareholder	(211)	(329)
Advances due from key management personal	469	277
Advance provided to the managing director	-	31
Amounts (due to)/due from a shareholder	250	(476)
Other payable (contribution towards fixed assets financing) to a shareholder	-	(40)
Maintenance fees paid in advance to a related party	79	112
Taxation receivable from foreign shareholders	-	904
Statutory deposit	10,000	10,000

**22 Earnings / (loss) per share**

Earnings / (loss) per share has been calculated by dividing the net (loss) income for the year by the weighted average number of issued and outstanding shares for the year. Diluted earnings per share are not applicable to the Company.

**23 Reinsurance assets**

The reinsurers' share of insurance liabilities includes reinsurers' share of unearned premiums and outstanding claims amounting to Saudi Riyals 277 million (2014: Saudi Riyals 268 million). All amounts due from reinsurers are expected to be received within twelve months from the statement of financial position date.



**24 Fair value 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 principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets consist of cash and cash equivalents, premium receivables, investments, due from reinsurers, due from shareholder operations, advance against an investment, statutory deposits, reinsurance share of outstanding claims and financial liabilities consisting of outstanding claims, due to reinsurers, agent, brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and due to insurance operations.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

*Determination of fair value and fair value hierarchy.*

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

Level 1: quoted prices in active markets for the 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.

As at December 31, 2015 and 2014, all the financial instruments, which are fair valued are level 1 instruments except for the available-for-sale investment which is included within Level 3. There were no transfers between levels during the years ended December 31, 2015 and 2014.

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**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 which is chief executive officer.

Operating segment does not include shareholders' operation of the Company.

Segment results do not include other income and general and administration expenses.

Segment assets do not include insurance operations' cash and cash equivalents, premiums receivable, due from reinsurers, due from shareholders' operation and prepaid expenses and other assets.

Segment liabilities and surplus do not include due to reinsurers, agents, brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and surplus from insurance operations.

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2015</b>								
Gross written premiums	41,522	83,913	258,165	42,782	29,055	34,062	29,210	518,709
Less: Reinsurance premiums ceded	(35,479)	(78,637)	(48,914)	(40,598)	(20,768)	(34,062)	(25,906)	(284,364)
Net written premiums	6,043	5,276	209,251	2,184	8,287	-	3,304	234,345
Change in net unearned premiums	50	(240)	(26,338)	1,207	(17)	-	(105)	(25,443)
Net earned premiums	6,093	5,036	182,913	3,391	8,270	-	3,199	208,902
Commission earned on ceded reinsurance	10,192	13,782	6,933	7,842	3,743	17,368	8,256	68,116
<b>Total revenue</b>	<b>16,285</b>	<b>18,818</b>	<b>189,846</b>	<b>11,233</b>	<b>12,013</b>	<b>17,368</b>	<b>11,455</b>	<b>277,018</b>
Gross claims paid	11,120	24,437	169,634	14,396	7,793	-	9,137	236,517
Reinsurer's share of claims paid	(9,484)	(24,074)	(30,513)	(13,555)	(5,130)	-	(7,845)	(90,601)
Net claims paid	1,636	363	139,121	841	2,663	-	1,292	145,916
Changes in outstanding claims	240	2,290	23,952	178	1,747	-	1,328	29,735
Net claims incurred	1,876	2,653	163,073	1,019	4,410	-	2,620	175,651
Policy acquisition costs	5,325	7,872	22,532	4,440	2,993	14,450	3,632	61,244
Reinsurance reserves	-	2,451	1,146	-	-	-	-	3,597
<b>Total cost</b>	<b>7,201</b>	<b>12,976</b>	<b>186,751</b>	<b>5,459</b>	<b>7,403</b>	<b>14,450</b>	<b>6,252</b>	<b>240,492</b>
<b>Net underwriting results</b>	<b>9,084</b>	<b>5,842</b>	<b>3,095</b>	<b>5,774</b>	<b>4,610</b>	<b>2,918</b>	<b>5,203</b>	<b>36,526</b>
General and administration expenses (unallocated)								(51,368)
Other income								5,633
<b>Deficit from insurance operations</b>								<b>(9,209)</b>
Shareholders' share of surplus from insurance operations								9,209
Insurance operations' surplus after shareholders' appropriation								-
Accumulated surplus at the beginning of the year								2,716
<b>Accumulated surplus at the end of the year</b>								<b>2,716</b>

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**25 Segment information (continued)**

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2014</b>								
Gross written premiums	40,655	69,109	179,908	31,493	22,099	69,750	20,897	433,911
Less: Reinsurance premiums ceded	(36,231)	(66,852)	(33,104)	(29,472)	(14,902)	(69,750)	(17,307)	(267,618)
Net written premiums	4,424	2,257	146,804	2,021	7,197	-	3,590	166,293
Change in net unearned premiums	286	266	25,364	(105)	(590)	-	(55)	25,166
Net earned premiums	4,710	2,523	172,168	1,916	6,607	-	3,535	191,459
Commission earned on ceded reinsurance	9,473	12,686	5,612	6,106	3,488	29,898	4,639	71,902
<b>Total revenue</b>	<b>14,183</b>	<b>15,209</b>	<b>177,780</b>	<b>8,022</b>	<b>10,095</b>	<b>29,898</b>	<b>8,174</b>	<b>263,361</b>
Gross claims paid	14,939	129,905	182,773	9,695	3,065	-	6,530	346,907
Reinsurer's share of claims paid	(12,935)	(128,509)	(32,554)	(7,881)	(2,096)	-	(5,927)	(189,902)
Net claims paid	2,004	1,396	150,219	1,814	969	-	603	157,005
Changes in outstanding claims	(279)	(833)	(6,454)	(328)	319	-	66	(7,509)
Net claims incurred	1,725	563	143,765	1,486	1,288	-	669	149,496
Policy acquisition costs	4,933	7,802	22,413	3,628	2,475	24,644	2,757	68,652
Premium deficiency reserves	-	-	(6,233)	-	-	-	-	(6,233)
<b>Total cost</b>	<b>6,658</b>	<b>8,365</b>	<b>159,945</b>	<b>5,114</b>	<b>3,763</b>	<b>24,644</b>	<b>3,426</b>	<b>211,915</b>
<b>Net underwriting results</b>	<b>7,525</b>	<b>6,844</b>	<b>17,835</b>	<b>2,908</b>	<b>6,332</b>	<b>5,254</b>	<b>4,748</b>	<b>51,446</b>
General and administration expenses (unallocated)								(39,243)
Other income								210
<b>Surplus from insurance operations</b>								<b>12,413</b>
Shareholders' share of surplus from insurance operations								(11,172)
Insurance operations' surplus after shareholders' appropriation								1,241
Accumulated surplus at the beginning of the year								1,475
<b>Accumulated surplus at the end of the year</b>								<b>2,716</b>
	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term Life	Total
<b>As at December 31, 2015</b>								
<b>Insurance operations' assets</b>								
Reinsurers' share of unearned premiums	6,729	17,435	18,886	15,950	8,812	54,150	8,877	130,839
Reinsurers' share of outstanding claims	5,595	24,659	18,190	45,912	36,776	-	14,832	145,964
Deferred policy acquisition costs	826	2,145	9,628	1,559	1,128	27,154	1,407	43,847
Unallocated assets								262,654
<b>Total insurance operations' assets</b>								<b>583,304</b>

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**25 Segment information (continued)**

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term Life	Total
<i>Insurance operations' liabilities</i>								
Unearned premiums	7,796	20,231	105,417	18,140	11,198	54,150	9,981	226,913
Outstanding claims	6,664	27,890	78,195	47,594	39,959	-	16,422	216,724
Unearned reinsurance commission	1,719	3,510	3,305	2,509	1,460	32,338	3,445	48,286
Reinsurance reserves	-	2,451	1,146	-	-	-	-	3,597
Unallocated liabilities and surplus								87,784
<b>Total insurance operations' liabilities and surplus</b>								<b>583,304</b>
<b>As at December 31, 2014</b>								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	8,572	12,190	12,771	20,792	5,966	49,406	5,864	115,561
Reinsurers' share of outstanding claims	5,611	42,540	7,670	56,258	36,283	-	4,244	152,606
Deferred policy acquisition costs	1,278	1,532	6,513	1,301	946	24,053	928	36,551
Unallocated assets								175,066
<b>Total insurance operations' assets</b>								<b>479,784</b>
<i>Insurance operations' liabilities</i>								
Unearned premiums	9,689	14,746	72,964	24,169	8,335	49,406	6,863	186,192
Outstanding claims	6,440	43,481	43,723	57,762	37,719	-	4,506	193,631
Unearned reinsurance commission	2,455	2,334	2,234	1,964	1,363	29,060	1,888	41,298
Unallocated liabilities and surplus								58,663
<b>Total insurance operations' liabilities and surplus</b>								<b>479,784</b>

**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, 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 Risk management (continued)

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.

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.

*Key assumptions*

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

*Sensitivities*

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income.

	Change in assumptions	Impact on net liabilities	Impact on net income / loss
Ultimate loss ratio			
2015	± 5%	±10,445	±10,445
2014	± 5%	±9,573	±9,573

26.2 Reinsurance risk

Similar to other insurance companies, 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 Regulator.

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.



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**26 Risk management (continued)**

**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 fixed 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 shareholders would impact commission income annually by approximately Saudi Riyals 1.5 million (2014: Saudi Riyals 1.2 million)

Effective commission rates of the Company's investments and their maturities as at December 31, 2015 are as follows:

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Effective commission		
<i><b>Insurance operations</b></i>					
Cash and cash equivalents	86,875	-	0.3%	14,657	101,532
December 31, 2015	86,875	-		14,657	101,532
<i><b>Shareholders' operations</b></i>					
Cash and cash equivalents	-	-		192	192
Statutory deposit	-	-		10,000	10,000
Investments	8,646	58,219	0.8%	15,074	81,939
December 31, 2015	8,646	58,219		25,266	92,131
<i><b>Insurance operations</b></i>					
Cash and cash equivalents	46,875	-	0.4%	25,939	72,814
December 31, 2014	46,875	-		25,939	72,814
<i><b>Shareholders' operations</b></i>					
Cash and cash equivalents	-	-		272	272
Statutory deposit	-	-		10,000	10,000
Investments	54,447	21,812	2.4%	1,200	77,459
December 31, 2014	54,447	21,812		11,472	87,731

**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 recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, and counterparties having strong balance sheets and credit ratings.

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Notes to the financial statements at December 31, 2015  
(All amounts in Saudi Riyals thousands unless otherwise stated)

26 Risk management (continued)

26.5 Credit risk (continued)

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

	2015	2014
<b>Insurance operations' financial assets</b>		
Cash and cash equivalents	101,532	72,814
Premiums receivable	92,757	61,117
Reinsurers' share of outstanding claims	145,964	152,606
Due from reinsurers	20,483	11,614
Due from shareholders' operations	37,666	22,394
	<b>398,402</b>	<b>320,545</b>
<b>Shareholders' operations' financial assets</b>		
Cash and cash equivalents	192	272
Advance against an investment	-	1,923
Investments	81,939	77,459
Statutory deposit	10,000	10,000
	<b>92,131</b>	<b>89,654</b>

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non investment grade satisfactory or past due but not impaired.

**Insurance operations' financial assets**

	Investment grade	Non investment grade		Total
		Satisfactory	Past due but not impaired	
Cash and cash equivalents	101,532	-	-	101,532
Premiums receivable	-	49,849	42,908	92,757
Reinsurers' share of outstanding claims	-	145,964	-	145,964
Due from reinsurers	-	20,483	-	20,483
Due from shareholders' operations	37,666	-	-	37,666
<b>December 31, 2015</b>	<b>139,198</b>	<b>216,296</b>	<b>42,908</b>	<b>398,402</b>
Cash and cash equivalents	72,814	-	-	72,814
Premiums receivable	-	35,880	25,237	61,117
Reinsurers' share of outstanding claims	-	152,606	-	152,606
Due from reinsurers	-	7,864	3,750	11,614
Due from shareholders' operations	22,394	-	-	22,394
<b>December 31, 2014</b>	<b>95,208</b>	<b>196,350</b>	<b>28,987</b>	<b>320,545</b>

**Shareholders' operations' financial assets**

	Investment grade	Non investment grade		Total
		Satisfactory	Past due but not impaired	
Cash and cash equivalents	192	-	-	192
Investments	80,016	1,923	-	81,939
Statutory deposit	10,000	-	-	10,000
<b>December 31, 2015</b>	<b>90,208</b>	<b>1,923</b>	<b>-</b>	<b>92,131</b>

**WATANIYA INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
Notes to the financial statements at December 31, 2015  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**26 Risk management (continued)**

**Shareholders' operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	272	-	-	272
Advance against an investment	-	1,923	-	1,923
Investments	77,459	-	-	77,459
Statutory deposit	10,000	-	-	10,000
<b>December 31, 2014</b>	<b>87,731</b>	<b>1,923</b>	<b>-</b>	<b>89,654</b>

**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:

<i>Insurance operations' financial liabilities</i>	Less than 12 months	More than 12 months	Total
Outstanding claims	216,724	-	216,724
Due to reinsurers, agents, brokers, and third party administrators	30,084	-	30,084
Due to policyholders	35,310	-	35,310
Accrued expenses and other liabilities	19,674	-	19,674
	<b>301,792</b>	<b>-</b>	<b>301,792</b>
<i>Shareholders' financial liabilities</i>			
Accrued expenses and other liabilities	23	-	23
Due to insurance operations	37,666	-	37,666
<b>December 31, 2015</b>	<b>37,689</b>	<b>-</b>	<b>37,689</b>

<i>Insurance operations' financial liabilities</i>	Less than 12 months	More than 12 months	Total
Outstanding claims	193,631	-	193,631
Due to reinsurers, agents, brokers, and third party administrators	34,123	-	34,123
Due to policyholders	10,012	-	10,012
Accrued expenses and other liabilities	11,812	-	11,812
	<b>249,578</b>	<b>-</b>	<b>249,578</b>
<i>Shareholders' financial liabilities</i>			
Accrued expenses and other liabilities	40	-	40
Due to insurance operations	22,394	-	22,394
<b>December 31, 2014</b>	<b>22,434</b>	<b>-</b>	<b>22,434</b>

**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 is exposed to market price risk, in its investment portfolio of Saudi Riyals 80 million (2014: Saudi Riyals 77.46 million).

The Company limits market risks by monitoring a diversified portfolio and the professional fund manager continuously monitors the development in international treasury and equity markets.



26 Risk management (continued)

26.7 Market price risk (continued)

The sensitivity of the income on the assumed changes in the market prices of quoted held for trading investments on the statement of shareholders comprehensive operations is set out below:

	Change in market price	Impact on net income / loss
2015	± 5%	4,097
2014	± 5%	3,872

26.8 Capital risk 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 balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital and retained earnings.

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 solvency margin equivalent to the highest of the following three methods as per SAMA's Implementing Regulations:

- Minimum Capital Requirement of Saudi Riyals 100 million
- Premiums Solvency Margin
- Claims Solvency Margin

The Article further states that as an exception to the preceding, Premiums Solvency Margin, method shall be used to calculate the solvency margin for the first three years from the date of the Company's registration. The Company currently is not in compliance with the regulatory requirements. The Company has initiated steps to ensure the solvency position is improved by the end of the year 2016 (See Note 17).

26.9 Regulatory framework

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 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company does not have any single insurance contract or small number of related contracts that cover low frequency, high-severity risks such as earthquakes or insurance contract covering risk of single incidents that may expose the Company to multiple insurance risks.

**WATANIYA INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
Notes to the financial statements at December 31, 2015  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**26 Risk management (continued)**

**26.10 Frequency and severity of claims (continued)**

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of outstanding claims and unearned premiums (in percentage) by class of business at the date of financial positions.

<u>2015</u>	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Marine	3%	1%	3%	2%
Property	9%	3%	13%	5%
Motor	47%	90%	36%	85%
Engineering	8%	2%	22%	2%
Accident & Liability	5%	3%	18%	4%
Extended Warranty	24%	0%	0%	0%
Term Life	4%	1%	8%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<u>2014</u>	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Marine	5%	2%	3%	2%
Property	8%	4%	23%	2%
Motor	39%	85%	23%	88%
Engineering	13%	5%	30%	4%
Accident & Liability	4%	3%	19%	3%
Extended Warranty	27%	0%	0%	0%
Term Life	4%	1%	2%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

The Company has adopted the following amendments and revisions to existing accounting standards, which were issued by the International Accounting Standards Board (IASB) at the reporting date:

<i>Standard</i>	<i>Description</i>
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
	Annual improvements 2010 -2012 cycle
IFRS 2	Share based payment
IFRS 8	Operating segments
IAS 16 & 38	Property, plant and equipment and intangible assets
IAS 24	Related party disclosures
	Annual improvements 2011 -2013 cycle
IFRS 13	Fair value measurement

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements at December 31, 2015**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

**Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard	Description	Effective from periods beginning on or after the following date
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10,12 and 28	Amendments to IFRS 10 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 5	Amendments to IFRS 5 regarding methods of disposal	1 January 2016
IFRS 16	Leases	1 January 2019
IFRS 7 and IFRS 1	Amendments to IFRS 7 regarding servicing contracts (with consequential amendments to IFRS 1)	1 January 2016
IAS 19	Amendments to IAS 19 regarding discount rates	1 January 2016
IAS 34	Amendments to IAS 34 regarding disclosure	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture Bearer plants	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

**28 Reclassification**

For better presentation, provision for doubtful reinsurance receivables amounting to Saudi Riyals 0.95 million for 2014 has been shown separately in general and administrative expenses relating to insurance operations, earlier included in other expenses.

**29 Approval of the financial statements**

These financial statements have been approved by the Board of Directors on February 10, 2016.

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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Financial statements and independent auditors' report**  
**For the year ended December 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of Wataniya Insurance Company  
Jeddah, Saudi Arabia  
(A Saudi Joint Stock Company)

### Scope of Audit

We have audited the accompanying statement of financial position of Wataniya Insurance Company (a Saudi joint stock company) (the "Company") as at December 31, 2014, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for year ended December 31, 2014 and the related notes from 1 to 28 which form an integral part of the 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 (IFRS) and the provisions of Article 123 of the Regulations for Companies and presented 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 of 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 basis for our opinion.

### 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 of December 31, 2014 and the results of its operations and its cash flows for the year then ended, in accordance with IFRS; and
- Comply with the requirements of the Regulation for companies and the Company's by-laws with respect to 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 IFRS and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.


### PricewaterhouseCoopers

  
Yaseen A. Abu Alkheer  
Certified Public Accountant  
License Number 375



Rabi-ul-Thani 28, 1436H  
February 17, 2015  
Saudi Arabia, Jeddah

### Deloitte & Touche Bakr Abulkhair & Co.

  
Al-Mutahhar Y. Hamiduddin  
Certified Public Accountant  
License Number 296



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of financial position**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2014	December 31, 2013
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	72,814	83,161
Premiums receivable	5	81,117	54,872
Reinsurers' share of unearned premiums	6, 23	115,561	98,325
Reinsurers' share of outstanding claims	6, 7, 23	152,808	271,453
Due from reinsurers	8	11,614	12,420
Deferred policy acquisition costs	6	38,551	31,659
Due from shareholders' operations		22,394	31,787
Prepaid expenses and other assets	9	7,127	21,773
<b>Total insurance operations' assets</b>		<b>479,784</b>	<b>605,450</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	272	705
Advance against an investment	10	1,923	1,923
Investments	11	77,459	75,645
Property and equipment	12	1,971	2,791
Prepaid expenses and other assets	9	1,276	265
Statutory deposit	13	10,000	10,000
<b>Total shareholders' assets</b>		<b>92,901</b>	<b>91,329</b>
<b>Total assets</b>		<b>572,685</b>	<b>696,779</b>

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.



S. F. Alhass



F. Alhass



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of financial position (continued)**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	December 31, 2014	December 31, 2013
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums	6	186,192	194,122
Outstanding claims	6	193,631	319,987
Unearned reinsurance commission	6	41,298	29,579
Premium deficiency reserve		-	6,233
Due to reinsurers, agents, brokers and third party administrators	14	34,123	29,747
Due to policyholders	15	10,012	13,296
Accrued expenses and other liabilities	16	11,612	11,011
<b>Total insurance operations' liabilities</b>		<b>477,068</b>	<b>603,975</b>
<b>Insurance operation surplus</b>			
Accumulated surplus from insurance operations		2,716	1,475
<b>Total insurance operations' liabilities and surplus</b>		<b>479,784</b>	<b>605,450</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Zakat and income tax payable	17	2,332	1,206
Accrued expenses and other liabilities	16, 21	40	292
Due to insurance operations		22,394	31,787
<b>Total shareholders' liabilities</b>		<b>24,766</b>	<b>33,285</b>
<b>Shareholders' equity</b>			
Share capital	18	100,000	100,000
Accumulated losses		(31,865)	(41,956)
<b>Total shareholders' equity</b>		<b>68,135</b>	<b>58,044</b>
<b>Total shareholders' liabilities and equity</b>		<b>92,901</b>	<b>91,329</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>572,685</b>	<b>696,779</b>

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

  
  
 S. F. Alkhalaf  
 F. Alkharzi



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of insurance operations and accumulated surplus**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

		Year ended December 31,	
	Note	2014	2013
<b>REVENUE</b>			
Gross written premiums	6	433,911	486,843
Less: Reinsurance premiums ceded	6	(267,618)	(238,594)
Net written premiums		166,293	248,249
Change in net unearned premiums		25,166	(10,591)
Net earned premiums	6	191,459	237,658
Commission earned on ceded reinsurance	6	71,902	78,822
Other income		210	439
<b>Total revenue</b>		<b>263,571</b>	<b>316,919</b>
<b>COST AND EXPENSES</b>			
Gross claims paid	6	346,907	297,407
Reinsurers' share of claims paid	6	(189,902)	(95,299)
Net claims paid	6	157,005	202,108
Changes in outstanding claims		(7,509)	26,532
Net claims incurred	6	149,496	228,640
Policy acquisition costs	6	68,852	77,710
Premium deficiency reserves		(6,233)	6,233
General and administrative expenses	20	39,243	35,123
<b>Total cost and expenses</b>		<b>251,158</b>	<b>348,706</b>
<b>Surplus (deficit) from insurance operations</b>		<b>12,413</b>	<b>(31,787)</b>
Shareholders' share of (surplus) deficit from insurance operations		(11,172)	31,787
Insurance operations' surplus after shareholders' appropriation		1,241	-
Accumulated surplus at the beginning of the year		1,475	1,475
<b>Accumulated surplus at the end of the year</b>		<b>2,716</b>	<b>1,475</b>

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

 S. F. Albani  
 F. Albani

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of shareholders' operations  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2014	2013
Shareholders' share of surplus (deficit) from insurance operations		11,172	(31,787)
General and administrative expenses	20	(2,435)	(3,204)
Investment income	11	1,814	1,469
Other income		999	225
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>11,550</b>	<b>(33,297)</b>
Weighted average number of ordinary shares outstanding (in thousands)	18	10,000	10,000
Basic and diluted earnings (loss) per share (in Saudi Riyals)	22	1.155	(3.329)



The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

 S. B. Abbas  
 F. Atbani

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of shareholders' comprehensive income  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2014	2013
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>11,550</b>	<b>(33,297)</b>
<b>Items that will not be reclassified to statement of shareholders' operations</b>			
Provision for zakat and income tax	17	(2,363)	(1,182)
Income tax reimbursable by foreign shareholders		904	-
Income tax recovered from foreign shareholders		-	615
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>10,091</b>	<b>(33,864)</b>

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

 S. F. Abbas  
 F. Arboni

**WATANIYA INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**Statement of changes in shareholders' equity**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Accumulated losses	Total
January 1, 2013	100,000	(8,092)	91,908
Net loss for the year	-	(33,297)	(33,297)
Provision for zakat and income tax	-	(1,182)	(1,182)
Income tax recovered from foreign shareholders	-	615	615
December 31, 2013	100,000	(41,956)	58,044
January 1, 2014	100,000	(41,956)	58,044
Net income for the year	-	11,550	11,550
Provision for zakat and income tax	-	(2,363)	(2,363)
Income tax reimbursable from foreign shareholders	-	904	904
December 31, 2014	100,000	(31,855)	68,135

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.



S.F. Abbas





F. Al-Bani

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of insurance operations' cash flows**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

		Year ended December 31,	
	Note	2014	2013
<b>Cash flow from operating activities</b>			
Insurance operations surplus for the year after shareholders' appropriation		1,241	-
Adjustments for:			
Shareholders' share of surplus (deficit) from insurance operations		11,172	(31,787)
Provision (reversal) for doubtful receivables	5	1,574	(331)
		13,987	(32,118)
Changes in operating assets and liabilities:			
Premiums receivable		(7,819)	(9,718)
Reinsurers' share of unearned premiums		(17,236)	12,682
Reinsurers' share of outstanding claims		118,847	(148,117)
Due from reinsurers		806	3,404
Deferred policy acquisition costs		(4,892)	6,459
Due from an agent		-	1,964
Prepaid expenses and other assets		14,646	(19,146)
Unearned premiums		(7,930)	(2,071)
Outstanding claims		(126,356)	174,649
Unearned reinsurance commission		11,719	(13,220)
Premium deficiency reserve		(6,233)	6,233
Due to reinsurers, agents, brokers and third party administrators		4,376	(4,425)
Due to policyholders		(3,284)	5,048
Accrued expenses and other liabilities		801	2,500
Due to shareholders' operations		(1,779)	(8,331)
Net cash used in operating activities		(10,347)	(24,227)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		(10,347)	(24,227)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		83,161	107,388
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	72,814	83,161

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

  
 S.F. Abbas  
F. Arbani

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of shareholders' operation cash flows**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2014	2013
<b>Cash flow from operating activities</b>			
Net income (loss) for the year		11,550	(33,297)
Adjustments for:			
Shareholders' share of (surplus) deficit from insurance operations		(11,172)	31,787
Depreciation	12	1,746	1,445
Investment income	11	(1,814)	(1,469)
Loss on disposal of property and equipment		13	-
		323	(1,534)
Changes in operating assets and liabilities:			
Due to insurance operations		1,779	8,331
Prepaid expenses and other assets		(107)	(105)
Accrued expenses and other liabilities		(252)	(256)
Net cash generated from operating activities		1,743	8,436
<b>Cash flow from investing activities</b>			
Purchase of property and equipment	12	(1,084)	(2,277)
Proceeds from disposal of property and equipment		145	-
Advance against an investment refunded		-	500
Additions to investments	11	-	(55,000)
Net cash used in investing activities		(939)	(56,777)
<b>Cash flow from financing activities</b>			
Income tax recovered from foreign shareholders		-	615
Zakat and income tax paid		(1,237)	(2,575)
Net cash used in financing activities		(1,237)	(1,961)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(433)</b>	<b>(52,302)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>705</b>	<b>53,007</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	<b>272</b>	<b>705</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION</b>			
Income tax receivable from foreign shareholder adjusted against prepaid expenses and other assets	9	904	-

The accompanying notes on pages 11 to 34 form an integral part of these financial statements.

  
S.F. Abboud  
  
F. Atbani

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**1 Organization and principal activities**

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated Shawwal 21, 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on June 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its Articles of Association and applicable regulations in Saudi Arabia.

**2 Basis of preparation**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Basis of Presentation**

The Company presents its statements of financial position broadly in order of liquidity. All financial assets and liability expect for investments and statutory deposits are expected to be recovered and settled respectively within twelve months after the reporting date.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenue and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	<u>100%</u>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the Saudi Arabian Monetary Agency ("SAMA") Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

**Basis of measurement**

These financial statements are prepared under the historical cost convention modified to include the measurement of fair value through income statement investment at their fair value.

**Functional and presentation currency**

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

**Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in compliance with IFRS 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 period. 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.

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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 and 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 is 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 prior to 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 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 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 recognised 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.

(iii) *Deferred acquisition costs*

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional write-offs in the statement of insurance operations and accumulated surplus.

(iv) *Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

**3 Summary of significant accounting policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Cash and cash equivalents**

For the purpose of the statement of insurance operations and shareholders' cash flows, cash and cash equivalents comprise of bank current accounts and highly liquid investments 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 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 period.

Insurance contracts are principally divided into marine, property, motor, engineering, accident & liability, extended warranty and term life and are principally short term insurance contracts.



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Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "sum insured" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

**Reinsurance**

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

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**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 amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;
- 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 reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations and accumulated surplus or shareholders' operations are adjusted.

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 flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

**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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Deferred policy acquisition costs**

Direct and indirect costs incurred during the financial period 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 insurance operations and accumulated surplus.

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 insurance operations and accumulated surplus. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

**Financial assets at fair value through income statement (FVIS)**

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

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'Financial assets carried at fair value through income statement' are initially recognised at fair value, and transaction costs are expensed in the statement of shareholder's operations. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are presented in the statement of shareholders' operations within 'investment income' in the period in which they arise. Dividend income from 'financial assets at fair value through income statement' is recognised in the statement of shareholders' operations as part of 'investment income' when the Company's right to receive payments is established.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. The quoted market price used for financial assets held by the Company is the current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

**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 and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

**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 carried at cost less accumulated depreciation and impairment, except for capital work in progress which is stated at cost. Depreciation is charged to the statement of shareholders' operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Furniture and fixtures	5
• Office equipment	2 - 3
• Motor vehicles	4

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

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

**Provisions for obligations**

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.

**Trade and other payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Liabilities are recognized for amounts to be paid for services received, whether or not billed to the Company.

**Foreign currency translation**

Foreign currency transactions are translated 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 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 rate of monetary assets and liabilities denominated in foreign currencies are included in the statement of insurance operations and accumulated surplus or shareholders' operations.

**Liability adequacy test**

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

**Insurance and other receivables**

Insurance and other receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

**End-of-service benefits**

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

**Revenue recognition**

*Recognition of premiums and commission revenue*

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents 25% of the total premiums written during the current financial period.

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*Commission income*

Commission 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 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 insurance operations and accumulated surplus for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

**Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell a (usually damaged) vehicle or a property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

**De-recognition of financial instruments**

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**Offsetting**

Financial assets and 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 insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

**Leases**

Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

**Zakat and income taxes**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

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**Segment reporting**

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

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

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured's death.

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

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

**Seasonality of operations**

There are no seasonal changes that affect insurance operations.

**4 Cash and cash equivalents**

	2014	2013
<b>Insurance operations</b>		
Cash in hand	24	324
Cash at bank	25,915	14,087
Time deposits	46,875	68,750
	<u>72,814</u>	<u>83,161</u>
<b>Shareholders' operations</b>		
Cash at bank	272	705
	<u>272</u>	<u>705</u>

Cash at bank and time deposits are with a bank which is a related party and registered in Saudi Arabia and are denominated in Saudi Arabian Riyals and US dollars. Time deposits yield financial income at prevailing market rates.

**5 Premiums receivable**

	2014	2013
<b>Insurance operations</b>		
Policy holders	68,112	60,293
Provision for doubtful receivables	(6,995)	(5,421)
	<u>61,117</u>	<u>54,872</u>

Movement in provision for doubtful receivables is as follows:

	2014	2013
January 1	5,421	5,752
Additions /(reversals)	1,574	(331)
December 31	<u>6,995</u>	<u>5,421</u>

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As at December 31, the ageing of unimpaired receivables is as follows:

	Total		Past due but not impaired		
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
<b>December 31, 2014</b>	<b>61,117</b>	<b>35,880</b>	<b>15,105</b>	<b>9,775</b>	<b>357</b>
December 31, 2013	54,872	38,620	6,965	8,876	411

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 at the date of the transaction.

Five largest customers account for 27% (2013: 26%) of outstanding accounts receivable as at December 31, 2014.

Management considers its external customers to be individual policyholders. Two customers of the Company accounts for more than 5% of the gross written premiums for the year ended December 31, 2014 (2013: One customer). The total premiums attributable to the said customers was Saudi Riyals 52 million for the year (2013: Saudi Riyals 24 million), which is included in the marine, property, motor and extended warranty segments.

**6 Movements in unearned premiums, unearned reinsurance commission, deferred policy acquisition costs and outstanding claims**

	2014	2013
<b>Insurance operations</b>		
<b>a) Unearned premiums</b>		
Gross written premium	433,911	486,843
Gross unearned premiums at the beginning of the year	194,122	196,193
	<b>628,033</b>	683,036
Gross unearned premiums at the end of the year	(186,192)	(194,122)
Gross premium earned	<b>441,841</b>	488,914
Reinsurance premium ceded	(267,618)	(238,594)
Reinsurance share of unearned premiums at the beginning of the year	(98,325)	(110,987)
	<b>(365,943)</b>	(349,581)
Reinsurance share of unearned premiums at the end of the year	115,561	98,325
Insurance premium ceded to reinsurers	<b>(250,382)</b>	(251,256)
Net earned premium	<b>191,459</b>	237,658
	<b>2014</b>	<b>2013</b>
<b>Insurance operations</b>		
<b>b) Unearned reinsurance commission</b>		
January 1	29,579	42,799
Commission received	83,621	65,602
Commission earned	<b>(71,902)</b>	(78,822)
December 31	<b>41,298</b>	29,579
	<b>2014</b>	<b>2013</b>
<b>Insurance operations</b>		
<b>c) Deferred policy acquisition costs</b>		
January 1	31,659	38,118
Paid	73,544	71,251
Charge	<b>(68,652)</b>	(77,710)
December 31	<b>36,551</b>	31,659

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**Insurance operations**  
**d) Outstanding claims**

	Gross	Reinsurers' Share	Net
January 1, 2014	319,987	(271,453)	48,534
Claims incurred	220,551	(71,055)	149,496
Claims paid	(346,907)	189,902	(157,005)
December 31, 2014	193,631	(152,606)	41,025
Outstanding claims	133,559	(112,918)	20,641
Incurred but not reported	60,072	(39,688)	20,384
December 31, 2014	193,631	(152,606)	41,025
January 1, 2013	145,338	(123,336)	22,002
Claims incurred	472,056	(243,416)	228,640
Claims paid	(297,407)	95,299	(202,108)
December 31, 2013	319,987	(271,453)	48,534
Outstanding claims	237,753	(214,643)	23,110
Incurred but not reported	82,234	(56,810)	25,424
December 31, 2013	319,987	(271,453)	48,534

**Claims Triangulation Analysis by Accident Year**

The Company maintains 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. Claims triangulation analysis is by accident years spanning a number of financial years.

Accident Year	2010	2011	2012	2013	2014	TOTAL
At the end of accident year	17,389	153,599	197,049	457,958	177,403	
One year later	21,544	160,186	212,017	504,961		
Two years later	20,389	159,271	209,929			
Three years later	20,434	157,502				
Four years later	20,436					
Ultimate paid claims (estimated)	20,436	157,502	209,929	504,961	177,403	1,070,231
Cumulative paid claims	(13,307)	(147,366)	(161,500)	(395,985)	(158,442)	(876,600)
Outstanding claims + IBNR	7,129	10,136	48,429	108,976	18,961	193,631

**7 Reinsurers' share of outstanding claims**

	2014	2013
<b>Insurance operations</b>		
Reinsurers' share of outstanding claims	152,606	271,453
Impairment provision	-	-
	152,606	271,453

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 amounts due from reinsurers.



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**8 Due from reinsurers**

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Three reinsurers represent 60% (2013: One reinsurers represent 70%) of the total amount due from reinsurers.

**9 Prepaid expenses and other assets**

	Note	2014	2013
<b>Insurance operations</b>			
Prepayments		1,642	2,327
Staff receivables	21	1,376	910
Others		4,109	18,536
		<u>7,127</u>	<u>21,773</u>
<b>Shareholder operations</b>			
		2014	2013
Income taxation receivable from foreign shareholders	21	904	-
Prepayments	21	186	79
Zakat paid under protest	17	186	186
		<u>1,276</u>	<u>265</u>

**10 Advance against an investment**

Advance against an investment represents amount paid by the Company for acquiring shares in Najm for insurance services, a non-listed Saudi Limited Liability Company. The shares are not yet allocated by the investee company.

**11 Investments**

Investments are classified as financial assets at fair value through income statement. These investments primarily represent investment in discretionary portfolios which are managed by professional fund managers in accordance with the guidelines approved by the Board of Directors.

Movement in FVIS investments is as follows:

	2014	2013
January 1	75,645	19,176
Additions	-	55,000
Disposals	-	-
Change in fair value	1,814	1,469
December 31	<u>77,459</u>	<u>75,645</u>

**12 Property and equipment**

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
<b>Shareholders' operations</b>					
<b>Cost</b>					
Furniture and fixtures	483	50	-	-	533
Office equipment	5,027	880	-	449	6,356
Motor vehicles	615	154	(216)	-	553
Capital work in progress	449	-	-	(449)	-
	<u>6,574</u>	<u>1,084</u>	<u>(216)</u>	<u>-</u>	<u>7,442</u>
<b>Accumulated depreciation</b>					
Furniture and fixtures	(89)	(101)	-	-	(190)
Office equipment	(3,570)	(1,504)	-	-	(5,074)
Motor vehicles	(124)	(141)	58	-	(207)
	<u>(3,783)</u>	<u>(1,746)</u>	<u>58</u>	<u>-</u>	<u>(5,471)</u>
Net book amount	<u>2,791</u>				<u>1,971</u>

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	January 1, 2013	Additions	Transfers	December 31, 2013
<b>Shareholders' operations</b>				
<b>Cost</b>				
Furniture and fixtures	116	367	-	483
Office equipment	3,359	846	822	5,027
Motor vehicles	-	615	-	615
Capital work in progress	822	449	(822)	449
	<u>4,297</u>	<u>2,277</u>	<u>-</u>	<u>6,574</u>
<b>Accumulated depreciation</b>				
Furniture and fixtures	(42)	(47)	-	(89)
Office equipment	(2,296)	(1,274)	-	(3,570)
Motor vehicles	-	(124)	-	(124)
	<u>(2,338)</u>	<u>(1,445)</u>	<u>-</u>	<u>(3,783)</u>
Net book amount	<u>1,959</u>			<u>2,791</u>
<b>13 Statutory deposit</b>				
In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Agency ("SAMA"), the Company has deposited 10% of its Share capital, amounting to Saudi Riyals 10 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA.				
<b>14 Due to reinsurers, agents, brokers and third party administrators</b>				
		<b>2014</b>		<b>2013</b>
<b>Insurance operations</b>				
Reinsurers		<b>14,245</b>		13,532
Agents and brokers		<b>13,491</b>		14,038
Third party administrators		<b>6,387</b>		2,177
		<u><b>34,123</b></u>		<u>29,747</u>
<b>15 Due to policyholders</b>				
Due to policyholders represent claims due to certain policyholders. One policyholder's (2013: One policy holder) balance comprises 13% (2013: 9%) of the outstanding due to policyholders balance as at December 31, 2014.				
<b>16 Accrued expenses and other liabilities</b>				
		<b>2014</b>		<b>2013</b>
<b>Insurance operations</b>				
Accrued expenses		<b>4,413</b>		4,291
Provision for reinsurance's withholding tax		<b>441</b>		1,973
Payable to garages and workshops		<b>3,763</b>		2,405
End of service benefits		<b>2,684</b>		1,890
Commission payable		<b>269</b>		203
SAMA inspection fee		<b>242</b>		249
		<u><b>11,812</b></u>		<u>11,011</u>
	<b>Note</b>	<b>2014</b>		<b>2013</b>
<b>Shareholders' operations</b>				
Other payable	21	<u><b>40</b></u>		<u>292</u>
		<u><b>40</b></u>		<u>292</u>

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**17 Zakat and income tax**

**17.1 Components of zakat base**

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are as follows:

	2014	2013
Share capital	74,440	74,440
Adjusted net income (loss) for the year	13,165	(19,851)
Accumulated losses brought forward	(27,026)	(6,024)
Property and equipment	(1,467)	(1,743)
Statutory reserve	(7,444)	(7,444)
Opening reserves	5,442	5,270
Zakat base	57,110	44,648

**17.2 Provision for zakat and income tax**

	2014	2013
January 1	1,206	2,600
Provision	2,363	1,182
Payments	(1,237)	(2,576)
December 31	2,332	1,206

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company after deducting allowed portion of brought forwarded accumulated losses.

**17.3 Status of final assessments**

The Company has filed its returns with Department of Zakat and Income Tax (DZIT) from inception up to 2013. During 2012, DZIT has raised the final assessment for the Company's first period from April 26, 2010 (date of Ministerial Resolution) to December 31, 2011 and claimed additional zakat of Saudi Riyals 272,620 and additional withholding taxes of Saudi Riyals 296,949. Management had appealed against such additional assessments. The Preliminary Appeal Committee ruled in favour of the DZIT. During 2013, the Company settled the entire additional claim of withholding taxes liability and paid additional zakat of Saudi Riyals 186,110 under appeal. During 2014, the DZIT issued the amended tax and zakat assessment for 2012 levying additional zakat of Saudi Riyals 8,651. The Company has filed its objection against the additional assessment. Subsequent to the year end the preliminary zakat and income tax objection committee ruled in favour of the Company.

No assessments have yet been raised by the DZIT for 2013.

**18 Share capital**

The share capital of the Company is Saudi Riyals 100 million divided into ten million shares of Saudi Riyals 10 each. The founding shareholders of the Company have subscribed and paid for seven million shares with a nominal value of Saudi Riyals 10 each, which represents 70% of the shares of the Company, and the remaining three million shares with a nominal value of Saudi Riyals 10 each, which represents 30% of the shares of the Company, have been subscribed by the general public.

**19 Statutory reserve**

In accordance with the Insurance Regulations in the Kingdom of Saudi Arabia, the Company is required to transfer 20% of the net income for the year to a statutory reserve until such reserve equals 100% of its share capital. No transfers have been made during 2014 and 2013 as the Company had accumulated losses.

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**20 General and administrative expenses**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>Insurance operations</b>			
Employee costs		<b>25,669</b>	21,796
Provision (reversal) for doubtful receivables	5	<b>1,574</b>	(331)
Office expenses		<b>2,922</b>	2,400
Legal and professional fees		<b>1,780</b>	1,078
Regulatory fees		<b>1,713</b>	1,965
Directors' expenses	21	<b>59</b>	60
Provision for withholding tax		<b>1,853</b>	5,763
Other		<b>3,673</b>	3,392
		<b>39,243</b>	36,123
<b>Shareholders' operations</b>			
Depreciation	12	<b>1,746</b>	1,445
Directors' expenses	21	<b>57</b>	1,198
Other		<b>632</b>	561
		<b>2,435</b>	3,204

**21 Related party matters**

The significant transactions with related parties and the related amounts are as follows:

<b>Related Party</b>	<b>Nature of Transactions</b>	<b>2014</b>	<b>2013</b>
Board Members	Directors' expenses	116	1,258
Managing director	Fees and related expenses	297	625
Key management personnel	- Remuneration and related expenses	7,336	6,346
	- Loans and advances	315	50
Shareholders' and related parties (common ownership)	- Insurance premiums	77,122	19,369
	- Claims paid	23,914	1,323
	- Facultative premiums (net)	3,164	2,625
	- Expenses reimbursement	300	300
	- Expenses incurred	3,395	2,622
	- Claims and expenses paid on behalf of a shareholder	6,589	28,229
	- Amount received from a shareholder for claims and expenses paid on its behalf	7,255	28,427
	- Bank commission income	210	456
	- Purchase of property and equipment	553	-

**21.1 Related party matters**

<b>Balances with related parties</b>	<b>2014</b>	<b>2013</b>
Premium receivable from related parties	<b>3,170</b>	37
Cash and cash equivalents with a shareholder	<b>73,062</b>	83,542
Amounts due for facultative premiums to a shareholder	<b>(329)</b>	(246)
Loans and advances due from key management personal	<b>277</b>	153
Advance provided to the managing director	<b>31</b>	78
Amounts (due to)/due from a shareholder	<b>(476)</b>	190
Other payable (contribution towards fixed assets financing) to a shareholder	<b>(40)</b>	(292)
Maintenance fees paid in advance to a related party	<b>112</b>	-
Taxation receivable from foreign shareholders	<b>904</b>	-

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**22 Earnings / (loss) per share**

Earnings / (loss) per share has been calculated by dividing the net income (loss) for the year by the weighted average number of issued and outstanding shares for the year. Diluted earnings per share are not applicable to the Company.

**23 Reinsurance assets**

The reinsurers' share of insurance liabilities includes reinsurers' share of unearned premiums and outstanding claims amounting to Saudi Riyals 268 million (2013: Saudi Riyals 370 million). All amounts due from reinsurers are expected to be received within twelve months from the statement of financial position date.

**24 Fair value 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 principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets consist of cash and cash equivalents, premium receivables, investments, due from reinsurers, due from shareholder operations, advance against an investment, statutory deposits, reinsurance share of outstanding claims and financial liabilities consisting of outstanding claims, due to reinsurers, agent, brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and due to insurance operations.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

*Determination of fair value and fair value hierarchy.*

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

Level 1: quoted prices in active markets for the 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.

As at December 31, 2014 and 2013, all the financial instruments which are fair valued are level 1 instruments. There were no transfers between levels during the years ended December 31, 2014 and 2013.

**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 which is chief executive officer.

Operating segment does not include shareholders' operation of the Company.

Segment results do not include other income and general and administration expenses.

Segment assets do not include insurance operations' cash and cash equivalents, premiums receivable, due from reinsurers, due from shareholders' operation and prepaid expenses and other assets.

Segment liabilities and surplus do not include due to reinsurers, agents, brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and surplus from income operations.

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	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2014</b>								
Gross written premiums	40,655	69,109	179,908	31,493	22,099	69,750	20,897	433,911
Less: Reinsurance premiums ceded	(36,231)	(66,852)	(33,104)	(29,472)	(14,902)	(69,750)	(17,307)	(267,618)
Net written premiums	4,424	2,257	146,804	2,021	7,197	-	3,590	166,293
Change in net unearned premiums	286	266	25,364	(105)	(590)	-	(55)	25,166
Net earned premiums	4,710	2,523	172,168	1,916	6,607	-	3,535	191,459
Commission earned on ceded reinsurance	9,473	12,686	5,612	6,106	3,488	29,898	4,639	71,902
<b>Total revenue</b>	<b>14,183</b>	<b>15,209</b>	<b>177,780</b>	<b>8,022</b>	<b>10,095</b>	<b>29,898</b>	<b>8,174</b>	<b>263,361</b>
Gross claims paid	14,939	129,905	182,773	9,695	3,065	-	6,530	346,907
Reinsurer's share of claims paid	(12,935)	(128,509)	(32,554)	(7,881)	(2,096)	-	(5,927)	(189,902)
Net claims paid	2,004	1,396	150,219	1,814	969	-	603	157,005
Changes in outstanding claims	(279)	(833)	(6,454)	(328)	319	-	66	(7,509)
Net claims incurred	1,725	563	143,765	1,486	1,288	-	669	149,496
Policy acquisition costs	4,933	7,802	22,413	3,628	2,475	24,644	2,757	68,652
Reversal of premium deficiency reserve	-	-	(6,233)	-	-	-	-	(6,233)
<b>Total cost</b>	<b>6,658</b>	<b>8,365</b>	<b>159,945</b>	<b>5,114</b>	<b>3,763</b>	<b>24,644</b>	<b>3,426</b>	<b>211,915</b>
<b>Net underwriting results</b>	<b>7,525</b>	<b>6,844</b>	<b>17,835</b>	<b>2,908</b>	<b>6,332</b>	<b>5,254</b>	<b>4,748</b>	<b>51,446</b>
General and administrative expenses								(39,243)
Other income								210
<b>surplus from insurance operations</b>								<b>12,413</b>
Shareholders' share of surplus from insurance operations								(11,172)
Insurance operations' surplus after shareholders' appropriation								1,241
Accumulated surplus at the beginning of the year								1,475
<b>Accumulated surplus at the end of the year</b>								<b>2,716</b>

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	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2013</b>								
Gross written premiums	33,824	70,648	277,182	23,912	19,961	45,901	15,415	486,843
Less: Reinsurance premiums ceded	(28,472)	(65,402)	(52,927)	(20,164)	(13,485)	(45,901)	(12,243)	(238,594)
Net written premiums	5,352	5,246	224,255	3,748	6,476	-	3,172	248,249
Change in net unearned premiums	713	(1,648)	(6,156)	(2,336)	(220)	-	(944)	(10,591)
Net earned premiums	6,065	3,598	218,099	1,412	6,256	-	2,228	237,658
Commission earned on ceded reinsurance	8,815	14,330	9,355	4,831	3,325	36,419	1,747	78,822
<b>Total revenue</b>	<b>14,880</b>	<b>17,928</b>	<b>227,454</b>	<b>6,243</b>	<b>9,581</b>	<b>36,419</b>	<b>3,975</b>	<b>316,480</b>
Gross claims paid	9,121	28,817	247,939	9,101	1,257	-	1,172	297,407
Reinsurer's share of claims paid	(7,353)	(27,960)	(49,968)	(8,316)	(667)	-	(1,035)	(95,299)
Net claims paid	1,768	857	197,971	785	590	-	137	202,108
Changes in outstanding claims	(1,038)	(120)	27,441	457	(404)	-	196	26,532
Net claims incurred	730	737	225,412	1,242	186	-	333	228,640
Premium deficiency reserve	-	-	6,233	-	-	-	-	6,233
Policy acquisition costs	4,688	8,259	28,503	2,855	2,309	29,666	1,430	77,710
<b>Total cost</b>	<b>5,418</b>	<b>8,996</b>	<b>260,148</b>	<b>4,097</b>	<b>2,495</b>	<b>29,666</b>	<b>1,763</b>	<b>312,583</b>
<b>Net underwriting results</b>	<b>9,462</b>	<b>8,932</b>	<b>(32,694)</b>	<b>2,146</b>	<b>7,086</b>	<b>6,753</b>	<b>2,212</b>	<b>3,897</b>
General and administrative expenses								(36,123)
Other income								439
<b>Deficit from insurance operations</b>								<b>(31,787)</b>
Shareholders' share of deficit from insurance operations								31,787
Insurance operations' surplus after shareholders' appropriation								-
Accumulated surplus at the beginning of the period								1,475
<b>Accumulated surplus at the end of the period</b>								<b>1,475</b>
	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>As at December 31, 2014</b>								
<b>Insurance operations' assets</b>								
Reinsurers' share of unearned premiums	8,572	12,190	12,771	20,792	5,966	49,406	5,864	115,561
Reinsurers' share of outstanding claims	5,611	42,540	7,670	56,258	36,283	-	4,244	152,606
Deferred policy acquisition costs	1,278	1,532	6,513	1,301	946	24,053	928	36,551
Unallocated assets								175,066
<b>Total insurance operations' assets</b>								<b>479,784</b>

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	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<i>Insurance operations' liabilities</i>								
Unearned premiums	9,689	14,746	72,964	24,189	8,335	49,406	6,863	186,192
Outstanding claims	6,440	43,481	43,723	57,762	37,719	-	4,506	193,631
Unearned reinsurance commission	2,455	2,334	2,234	1,964	1,363	29,060	1,888	41,298
Unallocated liabilities and surplus								58,663
<b>Total insurance operations' liabilities and surplus</b>								<b>479,784</b>
<b>As at December 31, 2013</b>								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	6,979	12,747	18,956	17,104	6,947	31,100	4,492	98,325
Reinsurers' share of outstanding claims	6,345	186,081	11,265	61,630	4,706	-	1,426	271,453
Deferred policy acquisition costs	1,108	2,029	11,084	1,334	862	14,464	778	31,659
Unallocated assets								204,013
<b>Total insurance operations' assets</b>								<b>605,450</b>
<i>Insurance operations' liabilities</i>								
Unearned premiums	8,382	15,569	104,513	20,396	8,726	31,100	5,436	194,122
Outstanding claims	7,453	187,855	53,772	63,462	5,823	-	1,622	319,987
Unearned reinsurance commission	2,081	2,914	2,386	2,020	1,218	17,669	1,291	29,579
Premium deficiency reserve	-	-	6,233	-	-	-	-	6,233
Unallocated liabilities and surplus								55,529
<b>Total insurance operations' liabilities and surplus</b>								<b>605,450</b>

**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, 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.



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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.

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.

*Key assumptions*

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

*Sensitivities*

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income.

	Change in assumptions	Impact on net liabilities	Impact on net income / loss
Ultimate loss ratio			
<b>2014</b>	<b>± 5%</b>	<b>±9,573</b>	<b>±9,573</b>
2013	± 5%	±11,883	±11,883

**26.2 Reinsurance risk**

Similar to other insurance companies, 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 Regulator.

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.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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 fixed 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, 2014 for the shareholders would impact commission income annually by approximately Saudi Riyals 1.2 million (2013: Saudi Riyals 0.86 million)

Effective commission rates of the Company's investments and their maturities as at December 31, 2014 are as follows:

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Effective commission		
<b>Insurance operations</b>					
Cash and cash equivalents	46,875		0.4%	25,939	72,814
December 31, 2014	46,875			25,939	72,814
<b>Shareholders' operations</b>					
Cash and cash equivalents	-	-	-	272	272
Statutory deposit	-	-	-	10,000	10,000
Investments	54,447	21,812	2.4%	1,200	77,459
December 31, 2014	54,447	21,812		11,472	87,731
<b>Insurance operations</b>					
Cash and cash equivalents	68,750	-	0.5%	14,411	83,161
December 31, 2013	68,750	-		14,411	83,161
<b>Shareholders' operations</b>					
Cash and cash equivalents	-	-	-	705	705
Statutory deposit	-	-	-	10,000	10,000
Investments	68,616	7,029	1.5%	-	75,645
December 31, 2013	68,616	7,029		10,705	86,350

**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 recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, and counterparties having strong balance sheets and credit ratings.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2014	2013
<b>Insurance operations' financial assets</b>		
Cash and cash equivalents	72,814	83,161
Premiums receivable	61,117	54,872
Reinsurers' share of outstanding claims	152,606	271,453
Due from reinsurers	11,614	12,420
Due from shareholder operations	22,394	31,787
	<b>320,545</b>	<b>453,693</b>
	2014	2013
<b>Shareholders' operations' financial assets</b>		
Cash and cash equivalents	272	705
Advance against an investment	1,923	1,923
Investments	77,459	75,645
Statutory deposit	10,000	10,000
	<b>89,654</b>	<b>88,273</b>

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non investment grade satisfactory or past due but not impaired.

**Insurance operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	72,814	-	-	72,814
Premiums receivable	-	35,880	25,237	61,117
Reinsurers' share of outstanding claims	-	152,606	-	152,606
Due from reinsurers	-	7,864	3,750	11,614
Due from shareholder operations	22,394	-	-	22,394
<b>December 31, 2014</b>	<b>95,208</b>	<b>196,350</b>	<b>28,987</b>	<b>320,545</b>
Cash and cash equivalents	83,161	-	-	83,161
Premiums receivable	-	38,620	16,252	54,872
Reinsurers' share of outstanding claims	-	271,453	-	271,453
Due from reinsurers	-	12,420	-	12,420
Due from an agent	31,787	-	-	31,787
<b>December 31, 2013</b>	<b>114,948</b>	<b>322,493</b>	<b>16,252</b>	<b>453,693</b>

**Shareholders' operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	272	-	-	272
Advance against an investment	-	1,923	-	1,923
Investments	77,459	-	-	77,459
Statutory deposit	10,000	-	-	10,000
<b>December 31, 2014</b>	<b>87,731</b>	<b>1,923</b>	<b>-</b>	<b>89,654</b>

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**Shareholders' operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	705	-	-	705
Advance against an investment	-	1,923	-	1,923
Investments	75,645	-	-	75,645
Statutory deposit	10,000	-	-	10,000
<b>December 31, 2013</b>	<b>86,350</b>	<b>1,923</b>	<b>-</b>	<b>88,273</b>

**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:

	Less than 12 months	More than 12 months	Total
<b>Insurance operations' financial liabilities</b>			
Outstanding claims	193,631	-	193,631
Due to reinsurers, agents, brokers, and third party administrators	34,123	-	34,123
Due to policyholders	10,012	-	10,012
Accrued expenses and other liabilities	11,812	-	11,812
	<b>249,578</b>	<b>-</b>	<b>249,578</b>
<b>Shareholders' financial liabilities</b>			
Accrued expenses and other liabilities	40	-	40
Due to insurance operation	22,394	-	22,394
December 31, 2014	<b>22,434</b>	<b>-</b>	<b>22,434</b>
<b>Insurance operations' financial liabilities</b>			
Outstanding claims	319,987	-	319,987
Due to reinsurers, agents, brokers, and third party administrators	29,747	-	29,747
Due to policyholders	13,296	-	13,296
Accrued expenses and other liabilities	11,011	-	11,011
	<b>374,041</b>	<b>-</b>	<b>374,041</b>
<b>Shareholders' financial liabilities</b>			
Accrued expenses and other liabilities	292	-	292
Due to income operation	31,787	-	31,787
December 31, 2013	<b>32,079</b>	<b>-</b>	<b>32,079</b>

**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 is exposed to market price risk, in its investment portfolio of Saudi Riyals 77.46 million (2013: Saudi Riyals 75.65 million).

The Company limits market risks by monitoring a diversified portfolio and the professional fund manager continuously monitors the development in international treasury and equity markets.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

The sensitivity of the income on the assumed changes in the market prices of quoted held for trading investments on the statement of shareholders comprehensive operations is set out below:

	<b>Change in market price</b>	<b>Impact on net income / loss</b>
<b>2014</b>	± 5%	3,872
2013	± 5%	3,782

**26.8 Capital risk 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 balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital and retained earnings.

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 solvency margin equivalent to the highest of the following three methods as per SAMA's Implementing Regulations:

- Minimum Capital Requirement of Saudi Riyals 100 million
- Premiums Solvency Margin
- Claims Solvency Margin

The Article further states that as an exception to the preceding, Premiums Solvency Margin, method shall be used to calculate the solvency margin for the first three years from the date of the Company's registration. The Company currently is not in compliance with the regulatory requirements. However, no changes are proposed to the capital base or to the objectives, policies and processes for managing capital. Management has initiated steps to ensure the solvency position is improved by the end 2015.

**26.9 Regulatory framework**

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.

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

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<b>Standard</b>	<b>Description</b>
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRIC 21	Levies

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2014**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<i><b>Standard/ Interpretation</b></i>	<i><b>Description</b></i>	<i><b>Effective from periods beginning on or after the following date</b></i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 19	Amendments to IAS 19 Employee or Third party Contributions to Defined Benefit Plans	1 July 2014
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

**28 Approval of the financial statements**

These financial statements have been approved by the Board of Directors on February 4, 2015.

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Financial statements**  
**For the year ended December 31, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of  
Wataniya Insurance Company  
Jeddah, Saudi Arabia

### Scope of Audit

We have audited the accompanying statement of financial position of Wataniya Insurance Company (a Saudi joint stock company) (the "Company") as at December 31, 2013, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for year ended December 31, 2013 and the notes which form an integral part of the 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 (IFRS) and the provisions of Article 123 of the Regulations for Companies and presented 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 of 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 basis for our opinion.

### 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 of December 31, 2013 and the results of its operations and its cash flows for the year ended December 31, 2013 in accordance with IFRS; and
- Comply, in all material respect, with the requirements of the Regulation for companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

### Emphasis of Matter

We draw attention to Note 2 to the accompanying financial statements. The management has prepared these financial statements in accordance with IFRS and not in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).


**PricewaterhouseCoopers**



Ali A. Alotaibi  
Certified Public Accountant  
License Number 379



**Deloitte & Touche  
Bakr Abulkhair & Co.**



Waleed M. Sobahi  
Certified Public Accountant  
License Number 378




18 Rabi-ul-Thani, 1435H  
18 February 2014  
Saudi Arabia, Jeddah

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of financial position**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2013	December 31, 2012
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	83,161	107,388
Premiums receivable	5	54,872	44,823
Reinsurers' share of unearned premiums	6, 24	98,325	110,987
Reinsurers' share of outstanding claims	6, 8, 24	271,453	123,336
Due from reinsurers	9	12,420	15,824
Due from an agent		-	1,964
Deferred policy acquisition costs	6	31,659	38,118
Due from shareholders' operations		31,787	-
Prepaid expenses and other assets	10	21,773	2,627
<b>Total insurance operations' assets</b>		<b>605,460</b>	<b>445,067</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	705	53,007
Advance against an investment	11	1,923	2,423
FVIS investments	12	75,645	19,176
Property and equipment	14	2,791	1,959
Due from insurance operations		-	8,331
Prepaid expenses and other assets	10	265	160
Statutory deposit	13	10,000	10,000
<b>Total shareholders' assets</b>		<b>91,329</b>	<b>95,066</b>
<b>Total assets</b>		<b>696,779</b>	<b>540,123</b>



The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

 S.F. Atbani  
 F. Atbani 

WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of financial position (continued)  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2013	December 31, 2012
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Unearned premiums	8	194,122	196,193
Outstanding claims	6	319,987	145,338
Unearned reinsurance commission	6	29,579	42,799
Premium deficiency reserve		6,233	-
Due to reinsurers, agents and brokers and third party administrators	15	29,747	34,172
Due to policyholders	16	13,296	8,248
Accrued expenses and other liabilities	17	11,011	8,511
Due to shareholders' operations		-	8,331
<b>Total insurance operations' liabilities</b>		<b>603,976</b>	<b>443,592</b>
<b>Insurance operation surplus</b>			
Accumulated surplus from insurance operations		1,475	1,475
<b>Total insurance operations' liabilities and surplus</b>		<b>605,450</b>	<b>445,067</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Zakat and income tax payable	18	1,206	2,600
Accrued expenses and other liabilities	17	292	548
Due to insurance operations		31,787	-
<b>Total shareholders' liabilities</b>		<b>33,285</b>	<b>3,148</b>
<b>Shareholders' equity</b>			
Share capital	19	100,000	100,000
Accumulated losses		(41,956)	(8,092)
<b>Total shareholders' equity</b>		<b>58,044</b>	<b>91,908</b>
<b>Total shareholders' liabilities and equity</b>		<b>91,329</b>	<b>95,056</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>696,779</b>	<b>540,123</b>

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

 S. F. Alkhar  
F. Atbani 

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of Insurance operations and accumulated surplus**  
*(All amounts in Saudi Riyals thousands unless otherwise stated)*

		Year ended December 31,	
	Note	2013	2012
<b>REVENUES</b>			
Gross written premiums	6	486,843	363,901
Less: Reinsurance premiums ceded	6	(238,594)	(204,488)
Net written premiums		248,249	159,413
Change in net unearned premiums		(10,591)	(57,544)
Net earned premiums	6	237,658	101,869
Commission earned on ceded reinsurance	6	78,822	51,374
Other income	7, 22	439	81
<b>Total revenues</b>		<b>316,919</b>	<b>153,324</b>
<b>COST AND EXPENSES</b>			
Gross claims paid	6	297,407	139,628
Reinsurers' share of claims paid	6	(95,299)	(75,916)
Net claims paid	6	202,108	63,712
Changes in outstanding claims		26,532	4,006
Net claims incurred	6	228,640	67,718
Policy acquisition costs	6	77,710	42,762
Premium deficiency reserves		6,233	-
General and administrative expenses	20	36,123	28,095
<b>Total cost and expenses</b>		<b>348,706</b>	<b>138,575</b>
<b>(Deficit) surplus from insurance operations</b>		<b>(31,787)</b>	<b>14,749</b>
Shareholders' share of deficit (surplus) from insurance operations		31,787	(13,274)
Insurance operations' surplus after shareholders' appropriation		-	1,475
Accumulated surplus at the beginning of the year		1,475	-
<b>Accumulated surplus at the end of the year</b>		<b>1,475</b>	<b>1,475</b>

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

 S. F. Alkhar  
 F. Albari  


**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of shareholders' operations**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Year ended December 31,	
		2013	2012
Shareholders' share of (deficit) surplus from insurance operations		(31,787)	13,274
General and administrative expenses	20	(3,204)	(2,622)
Investment income	21	1,489	166
Other income	7, 22	225	81
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(33,297)</b>	<b>10,899</b>
Weighted average number of ordinary shares outstanding (in thousands)	19	10,000	10,000
Basic and diluted (loss) income per share (in Saudi Riyals)	23	(3.329)	1.089

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

 S. F. Abbas


<sup>6</sup> F. Atbani



WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of shareholders' comprehensive income  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
NET (LOSS) INCOME FOR THE YEAR		(33,297)	10,899
Provision for zakat and income tax	18	(1,182)	(2,387)
Income tax reimbursed by foreign shareholders		615	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(33,864)	8,512

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.



 S. F. Abbas  
F. Atbani 



WATANIYA INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
Statement of changes in shareholders' equity  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Accumulated deficit	Total
January 1, 2012	100,000	(16,604)	83,396
Total comprehensive income for the year	-	8,512	8,512
December 31, 2012	100,000	(8,092)	91,908
January 1, 2013	100,000	(8,092)	91,908
Total comprehensive loss for the year	-	(33,864)	(33,864)
December 31, 2013	100,000	(41,956)	58,044



The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

  
 8  
 F. Atbani  
 S. F. Abboud  


**WATANIYA INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
Statement of insurance operations' cash flows  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
<b>Cash flow from operating activities</b>			
Surplus for the year after shareholders' appropriation		-	1,475
Adjustments to reconcile surplus (deficit) for the year after shareholders' appropriation to net cash (used in) generated from operating activities:			
Shareholders' share of (deficit) surplus from insurance operations		(31,787)	13,274
(Reversal) provision for doubtful receivables	5	(331)	1,125
		(32,118)	15,874
Changes in operating assets and liabilities:			
Premiums receivable		(9,718)	(2,613)
Reinsurers' share of unearned premiums		12,662	(36,381)
Reinsurers' share of outstanding claims		(148,117)	(58,847)
Deferred policy acquisition costs		6,459	(14,706)
Due from reinsurers		3,404	(10,921)
Due from an agent		1,964	(1,964)
Prepaid expenses and other assets		(19,146)	1,073
Unearned premiums		(2,071)	93,925
Outstanding claims		174,649	62,853
Unearned reinsurance commission		(13,220)	14,974
Premium deficiency reserve		6,233	-
Due to reinsurers, agents and brokers and third party administrators		(4,425)	6,647
Due to policyholders		5,048	605
Accrued expenses and other liabilities		2,500	1,341
Due from / to shareholders' operations		(8,331)	(5,331)
Net cash (used in) generated from operating activities		(24,227)	66,329
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		(24,227)	66,329
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		107,388	41,059
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	83,161	107,388

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.




  
S.F. Abbas  
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**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Statement of shareholders' operation cash flows**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

		Year ended December 31,	
	Note	2013	2012
<b>Cash flow from operating activities</b>			
Net (loss) income for the year		(33,297)	10,899
Adjustments to reconcile net (loss) income for the year to net cash generated from operating activities			
Shareholders' share of deficit (surplus) from insurance operations		31,787	(13,274)
Depreciation	14	1,445	948
Investment income	12	(1,469)	(166)
Loss on disposal of property and equipment		-	15
		(1,534)	(1,578)
Changes in operating assets and liabilities:			
Due to / from insurance operations		8,331	5,331
Prepaid expenses and other assets		(105)	(60)
Accrued expenses and other liabilities		(256)	20
Net cash generated from operating activities		6,436	3,713
<b>Cash flow from investing activities</b>			
Purchased of property and equipment	14	(2,277)	(1,299)
Proceeds from disposal of property and equipment		-	193
Advance against an investment refunded	11	500	-
Additions to investments	12	(55,000)	-
Net cash utilized in investing activities		(56,777)	(1,106)
<b>Cash flow from financing activities</b>			
Income tax recovered from foreign shareholders		615	-
Zakat and income tax paid		(2,576)	(147)
Net cash utilized in financing activities		(1,961)	(147)
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(52,302)</b>	<b>2,460</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>63,007</b>	<b>50,547</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4</b>	<b>705</b>	<b>53,007</b>

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

  
S. F. Athani  
  


**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the financial statements for the year ended December 31, 2013**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1 Organization and principal activities**

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated Shawwal 21, 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on June 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its Articles of Association and applicable regulations in Saudi Arabia.

**2 Basis of preparation**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Basis of Presentation**

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	<u>100%</u>

**Basis of measurement**

These financial statements are prepared under the historical cost convention modified to include the measurement of fair value through income statement investment at their fair value.

**Functional and presentation currency**

The financial statements are presented in Saudi Riyals being the functional currency of the Company.

**Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in compliance with IFRS 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 period. 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 and 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 is discussed below. Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

**WATANIYA INSURANCE COMPANY**  
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**Notes to the financial statements for the year ended December 31, 2013**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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(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 prior to 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 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 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 recognised 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.

(iii) *Deferred acquisition costs*

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional write-offs in the statement of insurance operations and accumulated surplus.

(iv) *Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

**3 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**

For the purpose of the statement of insurance operations and shareholders' cash flows, cash and cash equivalents comprise of bank current accounts and highly liquid investments 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 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 period.

Insurance contracts are principally divided into marine, property, motor, engineering, accident & liability, extended warranty and term life and are principally short term insurance contracts.

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

**WATANIYA INSURANCE COMPANY****(A Saudi Joint Stock Company)****Notes to the financial statements for the year ended December 31, 2013****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "sum insured" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

**Reinsurance**

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

**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 amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;
- 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 reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations and accumulated surplus or shareholders' operations are adjusted.

**WATANIYA INSURANCE COMPANY**  
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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 flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

**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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Deferred policy acquisition costs**

Direct and indirect costs incurred during the financial period 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 insurance operations and accumulated surplus.

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 insurance operations and accumulated surplus. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

**Financial assets at fair value through income statement (FVIS)**

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

'Financial assets carried at fair value through income statement' are initially recognised at fair value, and transaction costs are expensed in the statement of shareholder's operations. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income statement' category are presented in the statement of shareholders' operations within 'investment income' in the period in which they arise. Dividend income from 'financial assets at fair value through income statement' is recognised in the statement of shareholders' operations as part of 'investment income' when the Company's right to receive payments is established.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. The quoted market price used for financial assets held by the Company is the current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

**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 and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

**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 carried at cost less accumulated depreciation and impairment, except for capital work in progress which is stated at cost. Depreciation is charged to the statement of shareholders' operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Furniture and fixtures	5
• Office equipment	2 - 3
• Motor vehicles	4

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

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

**Provisions for obligations**

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.

**Trade and other payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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Liabilities are recognized for amounts to be paid for services received, whether or not billed to the Company.

**Foreign currency translation**

Foreign currency transactions are translated 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 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 rate of monetary assets and liabilities denominated in foreign currencies are included in the statement of insurance operations and accumulated surplus or shareholders' operations.

**Liability adequacy test**

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

**Insurance and other receivables**

Insurance and other receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

**End-of-service benefits**

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

**Revenue recognition**

*Recognition of premiums and commission revenue*

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo represents 25% of the total premiums written during the current financial period.

*Commission income*

Commission 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.



**WATANIYA INSURANCE COMPANY**  
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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 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 insurance operations and accumulated surplus for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

**Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell a (usually damaged) vehicle or a property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

**De-recognition of financial instruments**

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**Offsetting**

Financial assets and 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 insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

**Leases**

Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

**Zakat and income taxes**

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

**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 the following major reportable segments:

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.



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- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured's death.

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

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

**Seasonality of operations**

There are no seasonal changes that affect insurance operations.

**4 Cash and cash equivalents**

	2013	2012
<b>Insurance operations</b>		
Cash in hand	324	30
Cash at bank	14,087	38,608
Time deposits	68,750	68,750
	<b>83,161</b>	<b>107,388</b>
<b>Shareholders' operations</b>		
Cash at bank	705	53,007
	<b>705</b>	<b>53,007</b>

Cash and time deposits are with a bank which is a related party and registered in Saudi Arabia. Time deposits yield financial income at prevailing market rates.

**5 Premiums receivable**

	2013	2012
<b>Insurance operations</b>		
Policy holders	60,293	50,575
Provision for doubtful receivables	(5,421)	(5,752)
	<b>54,872</b>	<b>44,823</b>

Movement in provision for doubtful receivables is as follows:

	2013	2012
January 1	5,752	4,627
(Reversal) / additions	(331)	1,125
December 31	<b>5,421</b>	<b>5,752</b>

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As at December 31, the ageing of unimpaired receivables is as follows:

	Total	Past due but not impaired			
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
December 31, 2013	54,872	38,620	6,965	8,876	411
December 31, 2012	44,823	25,570	9,781	9,146	326

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 at the date of the transaction.

The Company has concentration of credit risk with 1 customer (2012: Nil) comprising of 10% of the outstanding receivable as at December 31, 2013. In addition, the five largest customers account for 26% (2012: 17%) of outstanding accounts receivable as at December 31, 2013.

Management considers its external customers to be individual policyholders. One customer of the Company accounts for more than 5% of the gross written premiums for the year ended December 31, 2013 (2012: One customer). The total premiums attributable to the said customer was Saudi Riyals 24 million for the year (2012: Saudi Riyals 46 million), which is included in the marine, property, motor and extended warranty segments.

**6 Movements in unearned premiums, unearned reinsurance commission, deferred policy acquisition costs and outstanding claims**

	2013	2012
<b>Insurance operations</b>		
<b>a) Unearned premiums</b>		
Gross written premium	486,843	363,901
Gross unearned premiums at the beginning of the year	196,193	102,268
	<b>683,036</b>	466,169
Gross unearned premiums at the end of the year	(194,122)	(196,193)
Gross premium earned	<b>488,914</b>	269,976
Reinsurance premium ceded	(238,594)	(204,488)
Reinsurance share of unearned premiums at the beginning of the year	(110,987)	(74,606)
	<b>(349,581)</b>	(279,094)
Reinsurance share of unearned premiums at the end of the year	98,325	110,987
Insurance premium ceded to reinsurers	<b>(251,256)</b>	(168,107)
Net earned premium	<b>237,658</b>	101,869

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	2013	2012
<b>Insurance operations</b>		
<b>b) Unearned reinsurance commission</b>		
January 1	42,799	27,825
Commission received	65,602	66,348
Commission earned	(78,822)	(51,374)
December 31	29,579	42,799

<b>Insurance operations</b>		
<b>c) Deferred policy acquisition costs</b>		
January 1	38,118	23,412
Paid	71,251	57,468
Charge	(77,710)	(42,762)
December 31	31,659	38,118

**Insurance operations**  
**d) Outstanding claims**

	Gross	Reinsurers' Share	Net
January 1, 2013	145,338	(123,336)	22,002
Claims incurred	472,056	(243,416)	228,640
Claims paid	(297,407)	95,299	(202,108)
December 31, 2013	319,987	(271,453)	48,534
Outstanding claims	237,753	(214,643)	23,110
Incurred but not reported	82,234	(56,810)	25,424
December 31, 2013	319,987	(271,453)	48,534
January 1, 2012	82,485	(64,489)	17,996
Claims incurred	202,481	(134,763)	67,718
Claims paid	(139,628)	75,916	(63,712)
December 31, 2012	145,338	(123,336)	22,002
Outstanding claims	116,553	(101,872)	14,681
Incurred but not reported	28,785	(21,464)	7,321
December 31, 2012	145,338	(123,336)	22,002

**7 Other income**

	Note	2013	2012
<b>Insurance operations</b>			
Commission on bank deposits	22	439	81
<b>Shareholders' operations</b>			
Commission on bank deposits	22	17	81
Amortization of contribution towards fixed assets financing	22	208	-
		225	81

**8 Reinsurers' share of outstanding claims**

	2013	2012
<b>Insurance operations</b>		
Reinsurers' share of outstanding claims	271,453	123,336
Impairment provision	-	-
	271,453	123,336

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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 amounts due from reinsurers.

**9 Due from reinsurers**

These represent net claims due from reinsurers under facultative deals and treaty arrangements. One reinsurer represent 70% (2012: Two reinsurers represent 63%) of the total amount due from reinsurers.

**10 Prepaid expenses and other assets**

	Note	2013	2012
<b>Insurance operations</b>			
Prepayments		2,327	916
Staff receivables	22	910	949
Others		18,536	762
		<b>21,773</b>	<b>2,627</b>
<b>Shareholder operations</b>			
		<b>2013</b>	<b>2012</b>
Prepayments		79	160
Zakat paid under protest	18.3	186	-
		<b>265</b>	<b>160</b>

**11 Advance against an investment**

Advance against an investment represents an advance made against an investment in a local unquoted security. Legal formalities in connection with the registration of ownership of such investment are in process. During the year the investee company repaid Saudi Riyals 500,000 to the Company.

**12 FVIS Investments**

Investments are classified as financial assets at fair value through income statement. These investments are managed by professional fund managers in accordance with the guidelines approved by the Board of Directors.

All the FVIS investments as at December 31, 2013 and 2012 are related to shareholders' operations.

	2013	2012
<b>Investments designed as FVIS</b>		
Quoted debt securities	15,282	17,058
Quoted equity securities	3,983	2,118
Murabaha deposits	29,349	-
Mutual funds	7,651	-
Sukuk	15,056	-
Other	4,324	-
	<b>75,645</b>	<b>19,176</b>

Movement in FVIS investments is as follows:

	2013	2012
January 1	19,176	19,010
Additions	55,000	-
Change in fair value	1,469	166
December 31	<b>75,645</b>	<b>19,176</b>

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The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><i>Investments designated as FVIS</i></b>				
Quoted debt securities	15,282	-	-	15,282
Quoted equity securities	3,983	-	-	3,983
Murabaha deposits	29,349	-	-	29,349
Mutual funds	7,651	-	-	7,651
Sukuk	15,056	-	-	15,056
Other	4,324	-	-	4,324
December 31, 2013	75,645	-	-	75,645

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><i>Investments designated as FVIS</i></b>				
Quoted debt securities	17,058	-	-	17,058
Quoted equity securities	2,118	-	-	2,118
December 31, 2012	19,176	-	-	19,176

**13 Statutory deposit**

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Agency ("SAMA"), the Company has deposited 10% of its Share capital, amounting to Saudi Riyals 10 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA.

**14 Property and equipment**

	<b>January 1, 2013</b>	<b>Additions</b>	<b>Transfers</b>	<b>December 31, 2013</b>
<b><i>Shareholders' operations</i></b>				
<b>Cost</b>				
Furniture and fixtures	116	367	-	483
Office equipment	3,359	846	822	5,027
Motor vehicles	-	615	-	615
Capital work in progress	822	449	(822)	449
	4,297	2,277	-	6,574
<b>Accumulated depreciation</b>				
Furniture and fixtures	(42)	(47)	-	(89)
Office equipment	(2,296)	(1,274)	-	(3,570)
Motor vehicles	-	(124)	-	(124)
	(2,338)	(1,445)	-	(3,783)
Net book value	1,959			2,791
	<b>January 1, 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2012</b>
<b><i>Shareholders' operations</i></b>				
<b>Cost</b>				
Furniture and fixtures	79	37	-	116
Office equipment	2,310	1,049	-	3,359
Motor vehicles	356	-	(356)	-
Capital work in progress	609	213	-	822
	3,354	1,299	(356)	4,297

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	January 1, 2012	Additions	Disposals	December 31, 2012
<b>Accumulated depreciation</b>				
Furniture and fixtures	(23)	(19)	-	(42)
Office equipment	(1,374)	(922)	-	(2,296)
Motor vehicles	(141)	(7)	148	-
	1,538	(948)	148	(2,338)
Net book value	1,816			1,959

Capital work in progress at December 31, 2013 relates to the development of the Company's communication and electronic filing system.

**15 Due to reinsurers, agents and brokers and third party administrators**

	2013	2012
<b>Insurance operations</b>		
Reinsurers	13,532	17,507
Agents and brokers	14,038	11,160
Third party administrators	2,177	5,505
	29,747	34,172

**16 Due to policyholders**

Due to policyholders represent claims due to certain policyholders. One policyholder's (2012: One policy holder) balance comprises 9% (2012: 22%) of the outstanding due to policyholders balance as at December 31, 2013.

**17 Accrued expenses and other liabilities**

	2013	2012
<b>Insurance operations</b>		
Accrued expenses	4,291	2,699
Provision for reinsurance withholding tax	1,973	1,357
Payable to garages and workshops	2,405	2,479
End of service benefits	1,890	1,328
Commission payable	203	216
SAMA inspection fee	249	401
Other payable	-	31
	11,011	8,511

	Note	2013	2012
<b>Shareholders' operations</b>			
Accrued expenses		-	48
Other payable	22	292	500
		292	548

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**18 Zakat and income tax**

**18.1 Components of zakat base**

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are as follows:

	<b>2013</b>	<b>2012</b>
Share capital	<b>74,440</b>	74,440
Adjusted net (loss) / profit for the year	<b>(19,851)</b>	11,542
Accumulated losses brought forward	<b>(6,024)</b>	(5,916)
Property and equipment	<b>(1,743)</b>	(1,648)
Statutory reserve	<b>(7,444)</b>	(7,444)
Opening reserves	<b>5,270</b>	4,003
Zakat base	<b>44,648</b>	74,977

**18.2 Provision for zakat and income tax**

	<b>2013</b>	<b>2012</b>
January 1	<b>2,600</b>	360
Provision	<b>1,182</b>	2,387
Payments	<b>(2,576)</b>	(147)
December 31	<b>1,206</b>	2,600

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders.

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company after deducting allowed portion of brought forwarded accumulated losses. There is no provision for income tax for the year ended December 31, 2013 as the Company had adjusted net loss for the year.

**18.3 Status of final assessments**

During 2012, Department of Zakat and Income Tax has raised the final assessment for the period from April 26, 2010 (date of Ministerial Resolution) to December 31, 2011 and claimed additional zakat of Saudi Riyals 272,620 and additional withholding taxes of Saudi Riyals 296,949. Management had appealed against such additional assessments. The Preliminary Appeal Committee ruled in favour of the DZIT. During 2013, the Company settled the withholding taxes liability and paid additional zakat of Saudi Riyals 186,110. Management has appealed against such additional zakat paid (see Note 10). The Company's zakat and income tax assessment for the year ended December 31, 2012 is under review of DZIT.

**19 Share capital**

The share capital of the Company is Saudi Riyals 100 million divided into ten million shares of Saudi Riyals 10 each. The founding shareholders of the Company have subscribed and paid for seven million shares with a nominal value of Saudi Riyals 10 each, which represents 70% of the shares of the Company, and the remaining three million shares with a nominal value of Saudi Riyals 10 each, which represents 30% of the shares of the Company, have been subscribed by the general public.

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**20 General and administrative expenses**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Insurance operations</b>			
Employee costs		<b>21,796</b>	18,240
(Reversal) / provision for doubtful receivables	5	<b>(331)</b>	1,125
Office expenses		<b>2,400</b>	2,234
Legal and professional fees		<b>1,078</b>	1,133
Regulatory fees		<b>1,965</b>	1,428
Directors' expenses	22	<b>60</b>	48
Provision for withholding tax		<b>5,763</b>	2,596
Other		<b>3,392</b>	1,291
		<b>36,123</b>	28,095
<b>Shareholders' operations</b>			
Depreciation	14	<b>1,445</b>	948
Directors' expenses	22	<b>1,198</b>	1,217
Other		<b>561</b>	457
		<b>3,204</b>	2,622

**21 Investment income**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Shareholders' operations</b>			
Commission, interest and dividends		<b>565</b>	255
Unrealized gains / (loss)		<b>1,149</b>	(89)
Management fees		<b>(245)</b>	-
	12	<b>1,469</b>	166

**22 Related party matters**

The significant transactions with related parties and the related amounts are as follows:

<b>Related Party</b>	<b>Nature of Transactions</b>	<b>2013</b>	<b>2012</b>
Board Members	Directors' expenses	<b>1,258</b>	1,265
Managing director	Fees and related expenses	<b>625</b>	606
Retiring CEO	- Compensation and benefits	-	567
	- Motor vehicle sold	-	193
Key management personnel	- Remuneration and related expenses	<b>6,346</b>	4,299
	- Loans and advances	<b>50</b>	270
Shareholders' and related parties	- Insurance premiums	<b>19,369</b>	12,411
	- Claims paid	<b>1,323</b>	850
	- Facultative premiums (net)	<b>2,625</b>	968
	- Expenses reimbursement	<b>300</b>	300
	- Expenses incurred	<b>2,622</b>	1,845
	- Claims and expenses paid on behalf of a shareholder	<b>28,229</b>	30,606
	- Amount received from a shareholder for claims and expenses paid on its behalf	<b>28,427</b>	(30,218)
	- Bank commission income	<b>456</b>	162



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**Balances with related parties**

Significant year end balances arising from transactions with related parties are as follows:

	Note	2013	2012
Advance provided to the Managing Director	10	78	78
Amount due from a shareholder		190	388
Amount due for facultative premiums		(246)	(190)
Cash and cash equivalents	4	83,542	160,365
Due from key management (staff receivable)	10	153	223
Recoverable from / (due to) policy holders		37	(677)
Other payable (contribution towards fixed assets financing)	17	(292)	(500)

**23 (Loss) / earnings per share**

(Loss) / earnings per share has been calculated by dividing the net (loss) income for the year by the weighted average number of issued and outstanding shares for the year.

**24 Reinsurance assets**

The reinsurers' share of insurance liabilities includes reinsurers' share of unearned premiums and outstanding claims amounting to Saudi Riyals 370 million (2012: Saudi Riyals 234 million). All amounts due from reinsurers are expected to be received within 12 months from the statement of financial position date.

**25 Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, premium receivables, investments, due from reinsurers, due from an agent, due from shareholder operations, statutory deposits, due from insurance operations, reinsurance share of outstanding claims and financial liabilities consisting of outstanding claims, due to reinsurers, agent and brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and due to shareholders' operation and due to insurance operations.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

*Determination of fair value and fair value hierarchy.*

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

Level 1: quoted prices in active markets for the 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.

**26 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 which is chief executive officer.

Operating segment do not include shareholders' operation of the Company.

Segment results do not include commission on bank deposits and general and administration expenses.

Segment assets do not include insurance operations' cash and cash equivalents, premiums receivable, due from reinsurers, due from an agent, prepaid expenses and other assets and due from shareholders' operation.

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Segment liabilities do not include due to reinsurers, agents and brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and due to shareholders operations.

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2013</b>								
Gross written premiums	33,824	70,648	277,182	23,912	19,961	45,901	15,415	486,843
Less: Reinsurance premiums ceded	(28,472)	(65,402)	(52,927)	(20,164)	(13,485)	(45,901)	(12,243)	(238,594)
Net written premiums	5,352	5,246	224,255	3,748	6,476	-	3,172	248,249
Change in net unearned premiums	713	(1,648)	(6,156)	(2,336)	(220)	-	(944)	(10,591)
Net earned premiums	<b>6,065</b>	<b>3,598</b>	<b>218,099</b>	<b>1,412</b>	<b>6,256</b>	-	<b>2,228</b>	<b>237,658</b>
Commission earned on ceded reinsurance	8,815	14,330	9,355	4,831	3,325	36,419	1,747	78,822
<b>Total revenue</b>	<b>14,880</b>	<b>17,928</b>	<b>227,454</b>	<b>6,243</b>	<b>9,581</b>	<b>36,419</b>	<b>3,975</b>	<b>316,480</b>
Gross claims paid	9,121	28,817	247,939	9,101	1,257	-	1,172	297,407
Reinsurer's share of claims paid	(7,353)	(27,960)	(49,968)	(8,316)	(667)	-	(1,035)	(95,299)
Net claims paid	<b>1,768</b>	<b>857</b>	<b>197,971</b>	<b>785</b>	<b>590</b>	-	<b>137</b>	<b>202,108</b>
Changes in outstanding claims	(1,038)	(120)	27,441	457	(404)	-	196	26,532
Net claims incurred	<b>730</b>	<b>737</b>	<b>225,412</b>	<b>1,242</b>	<b>186</b>	-	<b>333</b>	<b>228,640</b>
Premium deficiency reserve	-	-	6,233	-	-	-	-	6,233
Policy acquisition costs	4,688	8,259	28,503	2,855	2,309	29,666	1,430	77,710
<b>Total cost</b>	<b>5,418</b>	<b>8,996</b>	<b>260,148</b>	<b>4,097</b>	<b>2,495</b>	<b>29,666</b>	<b>1,763</b>	<b>312,583</b>
<b>Net underwriting results</b>	<b>9,462</b>	<b>8,932</b>	<b>(32,694)</b>	<b>2,146</b>	<b>7,086</b>	<b>6,753</b>	<b>2,212</b>	<b>3,897</b>
General and administrative expenses								(36,123)
Other income								439
<b>Deficit from insurance operations</b>								<b>(31,787)</b>
Shareholders' share of deficit from insurance operations								31,787
Insurance operations' surplus after shareholders' appropriation								-
Accumulated surplus at the beginning of the year								1,475
<b>Accumulated surplus at the end of the year</b>								<b>1,475</b>

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	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>For the year ended December 31, 2012</b>								
Gross written premiums	37,893	62,975	183,660	20,873	16,205	42,295	-	363,901
Less: Reinsurance premiums ceded	(30,811)	(59,610)	(43,405)	(17,630)	(10,737)	(42,295)	-	(204,488)
Net written premiums	7,082	3,365	140,255	3,243	5,468	-	-	159,413
Change in net unearned premiums	(261)	775	(58,567)	305	204	-	-	(57,544)
Net earned premiums	6,821	4,140	81,688	3,548	5,672	-	-	101,869
Commission earned on ceded reinsurance	9,526	13,547	5,602	4,669	2,894	15,136	-	51,374
<b>Total revenue</b>	<b>16,347</b>	<b>17,687</b>	<b>87,290</b>	<b>8,217</b>	<b>8,566</b>	<b>15,136</b>	<b>-</b>	<b>153,243</b>
Gross claims paid	11,486	50,181	75,754	1,261	946	-	-	139,628
Reinsurer's share of claims paid	(8,655)	(48,419)	(17,513)	(970)	(359)	-	-	(75,916)
Net claims paid	2,831	1,762	58,241	291	587	-	-	63,712
Changes in outstanding claims	652	498	526	1,248	1,082	-	-	4,006
Net claims incurred	3,483	2,260	58,767	1,539	1,669	-	-	67,718
Policy acquisition costs	4,930	7,121	13,976	2,469	2,036	12,230	-	42,762
<b>Total cost</b>	<b>8,413</b>	<b>9,381</b>	<b>72,743</b>	<b>4,008</b>	<b>3,705</b>	<b>12,230</b>	<b>-</b>	<b>110,480</b>
<b>Net underwriting results</b>	<b>7,934</b>	<b>8,306</b>	<b>14,547</b>	<b>4,209</b>	<b>4,861</b>	<b>2,906</b>	<b>-</b>	<b>42,763</b>
General and administrative expenses								(28,095)
Other income								81
<b>Surplus from insurance operations</b>								14,749
Shareholders' share of surplus from insurance operations								(13,274)
Insurance operations' surplus after shareholders' appropriation								1,475
Accumulated surplus at the beginning of the period								-
<b>Accumulated surplus at the end of the period</b>								<b>1,475</b>
	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<b>As at December 31, 2013</b>								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	6,979	12,747	18,956	17,104	6,947	31,100	4,492	98,325
Reinsurers' share of outstanding claims	6,345	186,081	11,265	61,630	4,706	-	1,426	271,453
Deferred policy acquisition costs	1,108	2,029	11,084	1,334	862	14,464	778	31,659
Unallocated assets								204,013
<b>Total insurance operations' assets</b>								<b>605,450</b>

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	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
<i>Insurance operations' liabilities</i>								
Unearned premiums	8,382	15,569	104,513	20,396	8,726	31,100	5,436	194,122
Outstanding claims	7,453	187,855	53,772	63,462	5,823	-	1,622	319,987
Unearned reinsurance commission	2,081	2,914	2,386	2,020	1,218	17,669	1,291	29,579
Premium deficiency reserve	-	-	6,233	-	-	-	-	6,233
Unallocated liabilities								55,529
<b>Total insurance operations' liabilities and surplus</b>								<b>605,450</b>
<b>As at December 31, 2012</b>								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	7,296	13,696	23,006	9,781	7,664	49,544	-	110,987
Reinsurers' share of outstanding claims	11,018	70,440	5,266	33,521	3,091	-	-	123,336
Deferred policy acquisition costs	1,333	2,071	10,268	1,383	760	22,303	-	38,118
Unallocated assets								172,626
<b>Total insurance operations' assets</b>								<b>445,067</b>
<i>Insurance operations' liabilities</i>								
Unearned premiums	9,390	14,870	102,406	10,761	9,222	49,544	-	196,193
Outstanding claims	13,163	72,335	20,331	34,896	4,613	-	-	145,338
Unearned reinsurance commission	2,522	3,530	5,170	2,546	1,444	27,587	-	42,799
Unallocated liabilities and surplus								60,737
<b>Total insurance operations' liabilities and surplus</b>								<b>445,067</b>

**27 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, 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.

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**27.1 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.

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.

*Key assumptions*

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

*Sensitivities*

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income.

	Change in assumptions	Impact on net liabilities	Impact on net income / loss
Ultimate loss ratio			
2013	± 5%	11,883	11,883
2012	± 5%	5,093	5,093

**27.2 Reinsurance risk**

Similar to other insurance companies, 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 Regulator.

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.

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**27.3 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.

**27.4 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 fixed 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, 2013 for the shareholders would impact commission income annually by approximately Saudi Riyals 1.4 million (2012: Saudi Riyals 0.86 million)

Effective commission rates of the Company's investments and their maturities as at December 31, 2013 are as follows:

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Effective commission		
<b>Insurance operations</b>					
Cash and cash equivalents	68,750	-	0.5%	14,411	83,161
December 31, 2013	68,750	-		14,411	83,161
<b>Shareholders' operations</b>					
Cash and cash equivalents	-	-	-	705	705
Statutory deposit	-	-	-	10,000	10,000
FVIS investments	68,616	7,029	1.5%	-	75,645
December 31, 2013	68,616	7,029		-	86,350
<b>Insurance operations</b>					
Cash and cash equivalents	68,750	-	0.5%	38,638	107,388
December 31, 2012	68,750	-		38,638	107,388
<b>Shareholders' operations</b>					
Cash and cash equivalents	-	-	-	53,007	53,007
Statutory deposit	-	-	-	10,000	10,000
FVIS investments	5,508	11,550	1.3%	2,118	19,176
December 31, 2012	5,508	11,550		65,125	82,183

**27.5 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 recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks, and counterparties having strong balance sheets and credit ratings.

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

	2013	2012
<b>Insurance operations</b>		
Cash and cash equivalents	83,161	107,338
Premiums receivable	54,872	44,823
Reinsurers' share of outstanding claims	271,453	123,336
Due from reinsurers	12,420	15,824
Due from an agent	-	1,964
Due from shareholder operations	31,787	-
	<b>453,693</b>	<b>293,285</b>

	2013	2012
<b>Shareholders' operations</b>		
Cash and cash equivalents	705	53,007
Advance against an investment	1,923	2,423
FVIS investments	75,645	19,176
Statutory deposit	10,000	10,000
Due from insurance operations	-	8,331
	<b>88,273</b>	<b>92,937</b>

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non investment grade (satisfactory) or past due but not impaired.

**Insurance operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	83,161	-	-	83,161
Premiums receivable	-	38,620	16,252	54,872
Reinsurers' share of outstanding claims	-	271,453	-	271,453
Due from reinsurers	-	12,420	-	12,420
Due from shareholder operations	31,787	-	-	31,787
<b>December 31, 2013</b>	<b>114,948</b>	<b>322,493</b>	<b>16,252</b>	<b>453,693</b>
Cash and cash equivalents	107,338	-	-	107,338
Premiums receivable	-	25,570	19,253	44,823
Reinsurers' share of outstanding claims	-	123,336	-	123,336
Due from reinsurers	-	15,824	-	15,824
Due from an agent	-	1,964	-	1,964
<b>December 31, 2012</b>	<b>107,338</b>	<b>166,694</b>	<b>19,253</b>	<b>293,285</b>

**Shareholders' operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	705	-	-	705
Advance against an investment	-	1,923	-	1,923
FVIS investments	75,645	-	-	75,645
Statutory deposit	10,000	-	-	10,000
<b>December 31, 2013</b>	<b>86,350</b>	<b>1,923</b>	<b>-</b>	<b>88,273</b>

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**Shareholders' operations' financial assets**

	Investment grade	Non Investment grade Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	53,007	-	-	53,007
Advance against an investment	-	2,423	-	2,423
FVIS investments	19,176	-	-	19,176
Statutory deposit	10,000	-	-	10,000
Due from insurance operations	-	8,331	-	8,331
<b>December 31, 2012</b>	<b>82,183</b>	<b>10,754</b>	<b>-</b>	<b>92,937</b>

**25.6 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:

<b>Insurance operations' Liabilities</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Outstanding claims	<b>319,987</b>	-	<b>319,987</b>
Due to reinsurers, agents and brokers, and third party administrators	<b>29,747</b>	-	<b>29,747</b>
Due to policyholders	<b>13,296</b>	-	<b>13,296</b>
Accrued expenses and other liabilities	<b>11,011</b>	-	<b>11,011</b>
	<b>374,041</b>	-	<b>374,041</b>
<b>Shareholders' Liabilities</b>			
Zakat payable	<b>1,206</b>	-	<b>1,206</b>
Accrued expenses and other liabilities	<b>292</b>	-	<b>292</b>
Due to policy holders	-	<b>31,787</b>	<b>31,787</b>
<b>December 31, 2013</b>	<b>1,498</b>	<b>31,787</b>	<b>33,285</b>

<b>Insurance operations' Liabilities</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Outstanding claims	145,338	-	145,338
Due to reinsurers, agents and brokers, and third party administrators	34,172	-	34,172
Due to policyholders	8,248	-	8,248
Accrued expenses and other liabilities	8,511	-	8,511
Due to shareholders	8,331	-	8,331
	<b>204,600</b>	-	<b>204,600</b>
<b>Shareholders' Liabilities</b>			
Zakat payable	2,600	-	2,600
Accrued expenses and other liabilities	548	-	548
<b>December 31, 2012</b>	<b>3,148</b>	-	<b>3,148</b>

**27.7 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 is exposed to market price risk, in its investment portfolio of Saudi Riyals 75.6 million (2012: Saudi Riyals 19.2 million).



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The Company limits market risks by monitoring a diversified portfolio and the professional fund manager continuously monitors the development in international treasury and equity markets.

The sensitivity of the income on the assumed changes in the market prices of quoted held for trading investments on the statement of shareholders comprehensive operations is set out below:

	Change in market price	Impact on net income / loss
2013	± 5%	3,782
2012	± 5%	959

#### 27.8 Capital risk 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 balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital and retained earnings.

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 solvency margin equivalent to the highest of the following three methods as per SAMA's Implementing Regulations:

- Minimum Capital Requirement of Saudi Riyals 100 million
- Premiums Solvency Margin
- Claims Solvency Margin

The Article further states that as an exception to the preceding, Premiums Solvency Margin, method shall be used to calculate the solvency margin for the first three years from the date of the Company's registration. The Company currently is not in compliance with the regulatory requirements. However, no changes are proposed to the capital base or to the objectives, policies and processes for managing capital. Management has initiated steps to ensure the solvency position is improved by the end 2014.

#### 27.9 Regulatory framework

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.

#### 28 New IFRS, IFRIC and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<b>Standard/ Interpretation</b>	<b>Description</b>
IFRS 7	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IAS 19	Amendment to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Amendment to IAS 32: Tax Effects of Distributions to Holders of Equity Instruments
IAS 34	Amendment to IAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities.

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The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

***New IFRS, IFRIC and amendments thereof, issued but not yet effective***

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<b>Standard/ Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after the following date</b>
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10, IFRS 12 & IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendment to IAS 36 'Impairment of assets' on recoverable amount disclosure	1 January 2014
IAS 39	Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

**29 Statutory reserve**

In accordance with the Insurance Regulations in the Kingdom of Saudi Arabia, the Company is required to transfer 20% of the net income for the year to a statutory reserve until such reserve equals 100% of its share capital. No transfers have been made during 2013 and 2012 as the Company had accumulated losses.

**30 Approval of the financial statements**

These financial statements have been approved by the Board of Directors on February 9, 2014.

