

**Offering of 25,000,000 (twenty five million) New Ordinary Shares through a Rights Issue at an Offer Price of SAR 10 per share, an increase in the Company's Capital of SAR 250,000,000 (two hundred fifty million Saudi Riyals), representing 125% of the Current Share Capital of Alinma Tokio Marine Company.**

**First Offering Period:** From 26/10/1436H (corresponding to 11/8/2015G) to 5/11/1436H (corresponding to 20/8/2015G)  
**Second Offering Period:** From 8/11/1436H (corresponding to 23/8/2015G) to 10/11/1436H (corresponding to 25/8/2015G)

Alinma Tokio Marine Company ("the Company" or "ATMC") is a Saudi Joint Stock Company incorporated in accordance with the Royal Decree No. M/25, dated 03/05/1430H (corresponding to 28/04/2009G) and the Ministerial Resolution No. 140, dated 02/05/1430H (corresponding to 27/04/2009G) with Commercial Registration No. 1010342527, dated 28/07/1433H (corresponding to 18/06/2012G) issued from Riyadh..

The current Share Capital of the Company is SAR 200,000,000 (two hundred million Saudi Riyals) consisting of 20,000,000 (twenty million) Ordinary Shares with a nominal value of SAR 10 per share (the "Existing Shares" with each is an "Existing Share"), all of which are fully paid.

Based on the Board of Directors recommendation in its meeting convened on 02/01/1436H (corresponding to 26/10/2014G) to increase the Company's Share Capital from SAR 200,000,000 (two hundred million Saudi Riyals) to SAR 450,000,000 (four hundred and fifty million Saudi Riyals) after obtaining the necessary regulatory approvals. At the Company's Extraordinary General Meeting held on 19/10/1436H (corresponding to 4/8/2015G), the EGM has approved the Board of Director's recommendation to increase the Capital.

The Rights Issue (the "Offering") consists of the issuance of (25,000,000) twenty five million Ordinary New Shares (the "Offer Shares" or "New Shares") at an Offer Price of SAR 10 per share ("Offer Price") to increase the Company's Share Capital from (SAR 200,000,000) two hundred million Saudi Riyals to (SAR 450,000,000) four hundred and fifty million Saudi Riyals divided into (45,000,000) forty five million Ordinary Shares with a nominal value of (SAR 10) ten Saudi Riyals each.

The Offering will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to the Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM being 19/10/1436H (corresponding to 4/8/2015G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder" and collectively as "Registered Shareholders"), provided that such Rights are deposited in the Registered Shareholders accounts within two (2) days of the Eligibility Date in the ratio of one (1) Right for every 0.8 share of the Company. Each Right grants its holder the eligibility to subscribe for one New Share at the Offer Price.

Registered Shareholders and the investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from 26/10/1436H (corresponding to 11/8/2015G), until the close of trading on 5/11/1436H (corresponding to 20/8/2015G), (the "Trading Period").

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

- First Offering Period (Phase 1): From 26/10/1436H (corresponding to 11/8/2015G) until the end of the day on 5/11/1436H (corresponding to 20/8/2015G) (the "First Offering Period"), during which 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 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 the investors (institutional and individuals) may trade in the Rights.
- Second Offering Period (Phase 2): From 8/11/1436H (corresponding to 23/8/2015G) until the end of the day on 10/11/1436H (corresponding to 25/8/2015G), (the "Second Offering Period"), during which all Right holders whether Registered Shareholders or other investors (individual or institutional) who have purchased the Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. The Rights may not be traded during this period

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

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on 15/11/1436H (corresponding to 30/8/2015G), until

the following day at 10:00 AM on 16/11/1436H (corresponding to 31/8/2015G). This offering will be referred to as the "Rump Offering". The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares (the "Fractional Shares") will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares and the Fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons no later than 25/11/1436H (corresponding to 9/9/2015G).

In the event that the Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriters, who will purchase the same at the Offer Price (please see section "Subscription Terms and Conditions"). After the completion of the Offering, the Company's Share Capital will become (SAR 450,000,000) four hundred fifty million Saudi Riyals divided into (45,000,000) forty five million Ordinary Shares. The net proceeds of the Offering will be mainly utilized to meet the Company's financial solvency requirements and to finance the Company's expansion plans that aim to boost the Company's ability to distribute the protection products for individuals and institutions (Please see section "Use of Proceeds"). The final allocation will be announced no later than 18/11/1436H (corresponding to 2/9/2015G) ("Allocation Date") (Please see section "Allocation"). The New Shares are fully underwritten by Alinma Investment Company and the Saudi Kuwaiti Finance House. (Please refer to "Underwriting Section").

None of the shareholders holds a controlling interest stake in the Company. None of the Shareholders also holds 5% or more of its Shares with the exception of the substantial shareholders, i.e. Alinma Bank (which holds 28.75% of the Company's Shares); Tokio Marine and Nishido Fire Insurance Company Ltd. (which holds 28.75% of the Company's Shares), SABIC Industrial Investment Company (which holds 5% of the Company's Shares) and Saudi Establishment for Trading and Distribution (which holds 5% of the Company's Shares) as described in page (xvii) of this Prospectus.

The Company has only one class of Shares and no shareholder will have any preferential voting Rights. The New Shares will be fully paid and rank identically with the existing Shares. Each Share entitles its holder to one vote and each shareholder with at least twenty (20) Shares ("Shareholder") has the Right to attend and vote at the general assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, effective the first day of subscription period and following financial years (Please see section "Dividend Policy" and section "Risk Factors - Dividends Payment").

The Company listed (20,000,000) twenty million shares on the Saudi Stock Exchange (Tadawul) through an IPO on 04/08/1433H corresponding to (24/06/2012G). The Founding Shareholders subscribed for 70% of the Company's Share Capital while the remaining 30% had been offered to the Public. Currently, the Company's existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for registering and admission of the New Shares. Approval of this Prospectus has been granted and all supporting documents requested by CMA have been completed. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and refund of extra subscriptions (see "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements with an authorized person) will be allowed to trade in the Shares.

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

#### Financial Advisor

بيت التمويل السعودي الكويتي  
Saudi Kuwaiti Finance House



#### Underwriters

بيت التمويل السعودي الكويتي  
Saudi Kuwaiti Finance House



الإيماء للاستثمار  
alinma investment



#### Lead Manager

الإيماء للاستثمار  
alinma investment



#### Receiving Entities

مصرف الإيماء  
alinma bank



بنك الرياض  
riyadh bank

سامبا  
samba

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia. The Directors, whose names appear on page (iv) jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and the Saudi Stock Exchange Company ("Tadawul") take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 19/10/1436H (corresponding to 4/8/2015G)

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

الإنماء طوكيو مارين  
Alinma Tokio Marine



## Important Notice

This Prospectus provides details of information relating to Alinma Tokio Marine Company and the offered New Shares. When applying for the New Shares, the 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 head office, lead manager, the branches of the Receiving Entities or by visiting the Company's website ([www.atmc.com.sa](http://www.atmc.com.sa)), Alinma investment company's website ([www.alinmainvestment.com](http://www.alinmainvestment.com)), Capital Market Authority's (website: [www.cma.org.sa](http://www.cma.org.sa)), the Financial Advisor's website (Saudi Kuwaiti Finance House ([www.skfh.com.sa](http://www.skfh.com.sa)) or the Receiving Entities' websites.

The Company has appointed the Saudi Kuwaiti Finance House as the Financial Advisor ("Financial Advisor"), Alinma investment company as the Lead Manager ("Lead Manager") and appointed both the Saudi Kuwaiti Finance House and Alinma investment company as Underwrites ("Underwriters") in relation to the Offering of the Offer Shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules of the CMA ("Listing Rules"). The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange take any responsibility for the contents of this Prospectus, make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

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

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

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

The Offering is directed at the Registered Shareholders and investors (individuals and institutions) during the period from 26/10/1436H (corresponding to 11/8/2015G), until the end of trading on the day of 10/11/1436H (corresponding to 25/8/2015G). Subscription in the New Shares shall be carried out through two phases:

- a. First Offering Period: From 25/10/1436H (corresponding to 11/8/2015G), until the end of the day on 5/11/1436H (corresponding to 20/8/2015G), (the "First Offering Period"), during which 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 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 the investors (institutional and individuals) may trade in the Rights.
- b. Second Offering Period: From 8/11/1436H (corresponding to 23/8/2015G), until the end of the day on 10/11/1436H (corresponding to 25/8/2015G), (the "Second Offering Period"), during which all Right holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons"; and each an "Eligible Person"), may exercise their Rights to subscribe. The Rights may not be traded during this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Remaining Shares") as well as the Fractional Shares (if any), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on 15/11/1436H (corresponding to 30/8/2015G), until the following day at 10:00 AM on 16/11/1436H (corresponding to 31/8/2015G). This offering will be referred to as the "Rump Offering". The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. If the sale price of the unsubscribed shares is higher than the Offer Price, the difference (if any) shall be distributed to the Eligible Persons pro rata of their held shares (in excess of Offering Price) no later than 25/11/1436H (corresponding to 9/9/2015G).

## Industry and Market Data

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

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

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



The information obtained from SAMA and used in this Prospectus relating to the Saudi National Economy is publicly available and obtainable from internet, therefore no consent has been obtained to use such information.

Central Department of Statistics & Information  
Riyadh –AL-Muraba' district, Prince Abdul Rahman bin Abdul Aziz Street  
P.O. Box 3735, Riyadh 11481  
Saudi Arabia  
Tel: +966 11 4014138  
Fax: +966 11 4059493  
Email: [info@cds.gov.sa](mailto:info@cds.gov.sa)  
Website: [www.cdsi.gov.sa](http://www.cdsi.gov.sa)



Established under the General Statistics Law of the Kingdom promulgated by Royal Decree No. 23, dated 07/12/1379H, and affiliated to the Ministry of Planning, and is the only official statistical source of the kingdom, which is responsible for providing government departments, and public and private institutions and individuals with official statistical data and information.

Ministry of Finance, Kingdom of Saudi Arabia  
Riyadh – King Abdul Aziz Road  
Riyadh 11777 - Saudi Arabia  
Tel: +966 11 4050000  
Fax: +966 11 4016055  
Email: [Info@mof.gov.sa](mailto:Info@mof.gov.sa)  
Website: [www.mof.gov.sa](http://www.mof.gov.sa)



The States budget information prepared by the Ministry of Finance has been used in the economic information section of this Prospectus.

Swiss Reinsurance Company (Swiss Re)  
P.O. Box 8022, Zurich, Switzerland  
Tel: +41 43 285 2121  
Fax: +41 43 285 2999  
Website: [www.swissre.com](http://www.swissre.com)



An international pioneer company in reinsurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world.

Swiss Re issues reports on insurance sector all over the world and these reports are available for public on its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

## Financial and Statistical Information

The audited financial statements for the financial period starting from 9 June 2012G until 31 December 2013G and for the Financial year ended on 31 December 2014G and the notes thereto (as included in this Prospectus) have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS). Audit for the period from 9 June 2012G until 31 December 2013G has been conducted by KPMG Al-Fozan and Al-Sadhan and Deloitte & Touché Baker Abu Al-Khair & Co while the audit for the year ended on 31 December 2014G has been conducted by KPMG Al-Fozan and Al-Sadhan and Pricewaterhouse Coopers. The Company publishes its financial statements in Saudi Arabian Riyals ("SAR").

## Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company conform that information include in this Prospectus has been prepared based on due care. Certain statements in this Prospectus constitute “forward-looking-statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, or “are expected”, “would be”, “anticipates” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to “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 described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been 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 by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

## Corporate Directory

### Board Members

Name	Post	Age	Nationality	Capacity	Representing	Date of Appointment	Held Shares			
							Direct	%	Indirect	%
Abdul Mohsen bin Abdulaziz Al Faris	Chairman	52	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	962*	0.0048%
Hisato Himada	Member	54	Japanese	Non-Executive/ Non-Independent/	Tokio Marine and Nichido Fire Insurance	14/6/1433H	1.000	0.005%	27**	0.0001%
Fahad bin Mohammed Al Semari	Member	56	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	-	-
Ken Kamikochi***	Member	64	Japanese	Non-Executive/ Non-Independent	Tokio Marine and Nichido Fire Insurance	2/1/1436H	1000	0.005%	-	-
Faisal bin Ibrahim Sweilim	Member	42	Saudi	Non-Executive/ Non-Independent	Sabic Industrial Investments Co.	1/8/1436H	-	-	-	-
Mutlaq bin Hamad Al Morished	Member	56	Saudi	Independent	Public Shareholders	14/6/1433H	51.000	0.255%	42****	0.0002%
Essam Abdulaziz Banaja	Member	65	Saudi	Independent	Public Shareholders	14/6/1433H	110	0.00055%	-	-
Khalid bin Abdullah Al Romaih	Member	55	Saudi	Independent	Public Shareholders	14/6/1433H	125	0.00063%	-	-

Source: Company

\* Resulting from his ownership of (1000) shares in Alinma Bank and they are guarantee shares based on article 68 of the Companies Regulations since Mr. Abdul Mohsen bin Abdulaziz Al Faris is a board member of Alinma Bank where he possesses shares.

\*\* Resulting from his ownership of shares in Tokio Marine Holding Company, which fully owns the shares of Tokio Marine and Nichido Fire Insurance

\*\*\* The Company has obtained SAMA's approval to appoint Ken Kamikochi as a non-executive member representing Tokio Marine and Nichido Fire Insurance Ltd to complete the membership period of Abdulrafiq Haroon Jiddawi who resigned from the Board during the year 2014G as stated in the letter of SAMA no. (351000154562), dated 27/12/1435H (corresponding to 21/10/2014G). His appointment was approved by the General Assembly of the Company shareholders held on 1/8/1436H corresponding to 19/5/2015G. Except for Mr. Ken Kamikochi, all board members were appointed by the Constituent Assembly held on 14/6/1433H corresponding to 5/5/2012G.

\*\*\*\* Resulting from his ownership of shares in Alinma Bank

Based on article 68 of Companies Regulations, the board member shall possess a number of shares in the amount of no less than ten thousand Saudi Riyals. These shares are allocated to guarantee his responsibility in the Company management. Members Essam Abdulaziz Banaja, Khalid Abdullah Al Romaih and Faisal Ibrahim bin Sweilim will purchase as soon as possible during the year 2015G sufficient number of the Company shares of a total value equal to (SAR 10,000) ten thousand Saudi Riyals.

In line with article 38 (1) of the Implementing Regulations of Cooperative Insurance Companies Control Law, no board member shall possess more than 5% of the Company shares.

In addition, neither the other board members, executive managers nor the board secretary or any of their relatives have any direct or indirect interest in the Company up to the date of this Prospectus.

The ordinary general assembly of the Company shareholders was held on 1/8/1436H corresponding to 19/5/2015G and approved the following:

- The appointment of Ken Kamikochi as a non-executive member to complete the board membership period of Mr. Abdulrafiq Haroun Jiddawi as from 22 October 2014G until the completion of the current board term on 09 June 2015G.
- The election of a board for new term starting 09/06/2015G and for three years as follows:
  - Abdulmohsen Abdulaziz Al Faris, representing Alinma Bank
  - Fahad Mohammed Al Semari, representing Alinma Bank
  - Ken Kamikochi, representing Tokio Marine Nichido Fire Insurance
  - Hisato Hamada, representing Tokio Marine Nichido Fire Insurance
  - Faisal bin Ibrahim Sweilim, representing Sabic Industrial Investments Company.
  - Mutlaq bin Hamad Al Morished
  - Khalid Abdullah Al Romaih
  - Essam Abdulaziz Banaja

The approval of appointing Mr. Faisal bin Ibrahim Al Sweilim to represent Sabic Industrial Investments Company instead of Mr. Mutlaq bin Hamad Al Morished, who became a member representing the public shareholders. The board membership term of Mr. Khalid bin Mohammed Al Aboudi ended on 9/6/2015G.

#### Company Address

Alinma Tokio Marine Company  
21st floor  
Al Anood tower 2, King Fahd Road  
P.O. Box 643  
Riyadh 11421  
Saudi Arabia  
Tel: +966 11 212 9333  
Fax: +966 11 212 9444  
Website: [www.atmc.com.sa](http://www.atmc.com.sa)  
Email: [info@atmc.com.sa](mailto:info@atmc.com.sa)

الإنماء طوكيو مارين  
Alinma Tokio Marine 

#### Company Representatives

Name: Fahd Mohammad Al Semari  
Post: Board Member  
Alinma Tokio Marine Company  
21st floor  
Al Anood tower 2, King Fahd Road  
P.O. Box 643  
Riyadh 11421  
Saudi Arabia  
Tel: +966 11 212 9333  
Fax: +966 11 212 9444  
Website: [www.atmc.com.sa](http://www.atmc.com.sa)  
Email: [fmsemari@alinma.com](mailto:fmsemari@alinma.com)

Name: Jun Hemmi  
Post: CEO  
Alinma Tokio Marine Company  
21st floor  
Al Anood tower 2, King Fahd Road  
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Riyadh 11421  
Saudi Arabia  
Tel: +966 11 212 9333  
Fax: +966 11 212 9444  
Website: [www.atmc.com.sa](http://www.atmc.com.sa)  
Email: [j.hemmi@atmc](mailto:j.hemmi@atmc)

#### Board Secretary

Name: Jun Hemmi  
Alinma Tokio Marine Company  
21st floor  
Al Anood tower 2, King Fahd Road  
P.O. Box 643  
Riyadh 11421  
Saudi Arabia  
Tel: +966 11 212 9333  
Fax: +966 11 212 9444  
Website: www.atmc.com.sa  
Email: j.hemmi@atmc.com.sa

#### The Exchange

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



## Consultants/Advisors

#### Financial Advisor

Saudi Kuwaiti Finance House  
Granada Business Park, A4 Building , 14th Floor  
P.O. Box 50051 Riyadh 11523  
Kingdom of Saudi Arabia  
Tel: +966 11 511 7300  
Fax: +966 11 201 9819  
Website: www.skfh.com.sa  
E-mail: info@skfh.com.sa

بيت التمويل السعودي الكويتي  
Saudi Kuwaiti Finance House



#### Lead Manager

Alinma Investment Company  
Al Anood tower, 8th floor  
P.O. Box 66333  
Riyadh 11576  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinmainvestment.com  
Email: info@alinmainvestment.com

الإئماء للاستثمار  
alinma investment



#### Underwriters

Alinma Investment Company  
Al Anood tower, 8th floor  
P.O. Box 66333  
Riyadh 11576  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinmainvestment.com  
Email: info@alinmainvestment.com

الإئماء للاستثمار  
alinma investment



Saudi Kuwaiti Finance House  
Granada Business Park, A4 Building , 14th Floor  
P.O. Box 50051 Riyadh 11523  
Kingdom of Saudi Arabia  
Tel: +966 11 511 7300  
Fax: +966 11 201 9819  
Website: www.skfh.com.sa  
E-mail: info@skfh.com.sa

بيت التمويل السعودي الكويتي  
Saudi Kuwaiti Finance House



#### Legal Advisor

EK Partners Al-Enezee  
Almaather Street, Fotro Tower- 3rd floor  
P.O. Box 69171 Riyadh 11547  
Kingdom of Saudi Arabia  
Tel: +966 11 276 7372  
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Website: [www.ekplegal.com](http://www.ekplegal.com)  
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#### Due Diligence Advisors

Al-Bassam & Al-Nemer Allied Associates  
Al-Metwai Center, Almaadi Street, Al-Ruwais District  
Jeddah, P.O. Box 15651, Jeddah 21454  
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Tel: +966 12 652 2703  
Fax: +966 12 652 2894  
Website: [www.aacpa-sa.com](http://www.aacpa-sa.com)  
E-mail: [ibrahim.albassam@sa-uhy.com](mailto:ibrahim.albassam@sa-uhy.com)



#### Auditors

KPMG Al-Fozan and Al-Sadhan  
KPMG Tower, Salahuddein Al Ayyoubi Street  
P.O. Box 92876 Riyadh 11633  
Kingdom of Saudi Arabia  
Tel: +966 11 874 8500  
Fax: +966 11 874 8600  
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Pricewaterhouse Coopers (PWC)  
Kingdom Tower, floor 21  
P.O. Box 213 Riyadh 11  
Kingdom of Saudi Arabia  
Tel: +966 11 465 4240  
Fax: +966 11 201 1660  
Website: [www.pwc.com/middle-east](http://www.pwc.com/middle-east)  
E-mail: [khalid.mahdhar@sa.pwc.com](mailto:khalid.mahdhar@sa.pwc.com)



#### Actuary

Nauman Assciates  
7B, Block F, Gelberg 2, Lahore  
Islamic Republic of Pakistan  
Tel: +9242 3576 204  
Fax: +9242 3575 7867  
Website: [www.naumanassociates.com](http://www.naumanassociates.com)  
E-mail: [nauman@naumanassociates.com](mailto:nauman@naumanassociates.com)



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

Receiving Entities

Alinma Bank  
Riyadh, King Fahd Road  
P.O. Box 66674  
Riyadh 11586  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinma.com  
Email: info@alinma.com

مصرف الإنماء  
alinma bank 

Samba Financial Group  
King Abdul Aziz Road - Riyadh  
P.O. Box 833, Riyadh 11421  
Saudi Arabia  
Tel: +966 (11) 479 7400  
Fax: +966 (11) 477 9676  
Website: www.samba.com  
E-Mail: customercare@samba.com

samba  سامبا

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

بنك الرياض  
riyad bank

Principal Commercial Banking Relationships

Alinma Bank  
Riyadh, King Fahd Road  
P.O. Box 66674  
Riyadh 11586  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinma.com  
Email: info@alinma.com

مصرف الإنماء  
alinma bank 

Al Rajhi Bank  
Olaya Road – Riyadh  
P.O. Box 28 Riyadh 11586  
Kingdom of Saudi Arabia  
Tel: +966 11 211 6000  
Fax: +966 11 460 0705  
Website: www.alrajhibank.com.sa  
E-mail: contactcenter1@alrajhibank.com.sa

Al Rajhi Bank  مصرف الراجحي

Saudi British Bank (SABB)  
Prince Abdul-Aziz Bin Musaid Bin Jalawi (DhababStreet)  
P.O. Box 9084 Riyadh 11413  
Saudi Arabia  
Tel: 966 11 405 0677  
Fax: 966 11 405 0660  
Website: www.sabb.com  
E-mail: sabb@sabb.com

SABB  ساب

The National Commercial Bank  
King Abdul Aziz Road Jeddah  
P.O. Box 3555, Jeddah 21481  
Saudi Arabia  
Tel: +966 (21) 649 3333  
Fax: +966 (11) 643 7426  
Website: www.alahli.com  
E-Mail : contactus@alahli.com

NCB  الأهلي

## Summary of the Offering:

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

The Company	Alinma Tokio Marine Company ("the Company" or "ATMC") is a Saudi Joint Stock Company incorporated in accordance with the Royal Decree No. M/25, dated 03/05/1430H (corresponding to 28/04/2009G) and the Ministerial Resolution No. 140, dated 02/05/1430H (corresponding to 27/04/2009G) with Commercial Registration No. 1010342527, dated 28/07/1433H (corresponding to 18/06/2012G) issued from Riyadh.																	
Summary of Company Activities	The main activity of the Company is conducting cooperative insurance business and all related activities in accordance with Shariah Law and the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, as well as the regulations and rules in force in Saudi Arabia. The Company shall obtain approval of SAMA for the products and services it provides.																	
Substantial Shareholders	<table border="1"> <thead> <tr> <th>Shareholder</th> <th>No. of Shares</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>Alinma Bank</td> <td>5,750,000</td> <td>28.75%</td> </tr> <tr> <td>Tokio Marine &amp; Nichido Fire Insurance Company Limited</td> <td>5,750,000</td> <td>28.75%</td> </tr> <tr> <td>Sabic Industrial Investments Co.</td> <td>1,000,000</td> <td>5.00%</td> </tr> <tr> <td>Saudi Establishment for Trading &amp; Distribution</td> <td>1,000,000</td> <td>5.000%</td> </tr> </tbody> </table>			Shareholder	No. of Shares	Ownership %	Alinma Bank	5,750,000	28.75%	Tokio Marine & Nichido Fire Insurance Company Limited	5,750,000	28.75%	Sabic Industrial Investments Co.	1,000,000	5.00%	Saudi Establishment for Trading & Distribution	1,000,000	5.000%
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Saudi Establishment for Trading & Distribution	1,000,000	5.000%																
Nature of Offering	Increasing Capital through issuance of Rights.																	
Nominal Value	(SAR 10) ten Saudi Riyals per New Share.																	
Total number of Existing issued Shares prior to the Offering	(20,000,000) twenty million Ordinary Shares.																	
Company's capital prior to the Offering	(SAR 200,000,000) two hundred million Saudi Riyals.																	
Total Number of Offer New Shares	(25,000,000) twenty five million Ordinary Shares.																	
Total number of Shares post-Offering	(45,000,000) forty five million Shares.																	
Percentage increase in share capital	125%																	
Offer Price	(SAR 10) ten Saudi Riyals per New Share.																	
Total Value of Offering	(SAR 250,000,000) two hundred fifty million Saudi Riyals.																	
Company's Capital post Offering	(SAR 450,000,000) four hundred fifty million Saudi Riyals.																	
Offering expenses	(SAR 4,000,000) four million Saudi Riyals.																	
Net Proceeds of the Offering after deduction of offering expenses	(SAR 246,000,000) two hundred forty six million Saudi Riyals.																	
Use of the Offering Proceeds	Share Capital will be increased from (SAR 200,000,000) two hundred million Saudi Riyals to (SAR 450,000,000) four hundred fifty million Saudi Riyals. Net Offering Proceeds are estimated at (SAR 246,000,000) two hundred forty six million Saudi Riyals after deducting the offering expenses amounting to (SAR 4,000,000) four million Saudi Riyals from the Gross Offering Proceeds of (250,000,000) two hundred fifty million Saudi Riyals. Offering expenses include the fees of the Financial Advisor, Lead Manager, Underwriters, Legal Advisor, Due Diligence Advisor, Receiving Entity's expenses as well as marketing and other Offering related expenses. The net offering proceeds will be used by the Company mainly to raise the solvency rates and margins to meet the solvency requirements. Offering proceeds will also be used to finance the Company's expansion plans that aim to enhance the Company's distribution capacities relating to protection and saving products targeting individuals and institutions. (Please refer to "Use of Proceeds" section of this Prospectus).																	
Number of Underwritten New Shares	(25,000,000) twenty five million ordinary shares.																	
Value of Underwritten New Shares	(SAR 250,000,000) two hundred fifty million Saudi Riyals.																	

Adjusted Price	The Company's share price on Tadawul has been adjusted to SAR 22.9 per share at the close of trading on the day of the EGM and after shareholders' approval of Capital increase. This represents a reduction of SAR 16.13 in the share price.
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on 19/10/1436H (corresponding to 4/8/2015G).
Allocation Date	Shares will be allocated on 18/11/1436H (corresponding to 2/9/2015G).
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM on 19/10/1436H (corresponding to 4/8/2015G).
Rights	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights will be deposited 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. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
New Shares	The shares issued for Registered shareholder's subscription.
Rights Issue Ratio	1 Rights for every 0.80 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's existing shares.
Number of Issued Rights	(25,000,000) twenty five million Rights.
First Offering Period	From Tuesday 26/10/1436H (corresponding to 11/8/2015G), until the end of Thursday 5/11/1436H (corresponding to 20/8/2015G), (the "First Offering Period"), during which 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 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 other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights.
Trading Period	Will commence on Tuesday 26/10/1436H (corresponding to 11/8/2015G) and will last up to and including Thursday 5/11/1436H (corresponding to 20/8/2015G). Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights during this period.
Second Offering Period	From Sunday 8/11/1436H (corresponding to 23/8/2015G), until the end of the day on Tuesday 10/11/1436H (corresponding to 25/8/2015G) ("Second Offering Period"), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe (referred to collectively as "Eligible Persons", and each an "Eligible Person"). Rights can't be traded during the Second Offering Period.
Subscription Procedure	Eligible shareholders who have interest to subscribe to the new offered shares shall complete the subscription application forms available with the branches of the Receiving Entities and submit them to any of the Receiving Entities during the Subscription Period. Subscribers may subscribe through Internet, phone banking or ATMs of the Receiving Entities that provide any of such services, provided that the following conditions shall be met: <ol style="list-style-type: none"> <li>1. The Subscriber (Eligible Shareholder) should have a valid banking account with a Receiving Entity that provides this service.</li> <li>2. The personal information of the Eligible Shareholder has not changed unless such a change has been duly notified to the Receiving Entity and updated by it.</li> </ol>
Rump Shares	The remaining New Shares which were not subscribed for during the First Offering Period and the Second Offering Period.
Rump Offering	Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining New Shares. Receipt of such offers will start at 10:00 AM on Sunday 15/11/1436H (corresponding to 30/8/2015G), until the following day at 10:00 AM on 16/11/1436H (corresponding to 31/8/2015G) ("the Rump Offering"). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated (provided that the offered price shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or other purchasers of Rights (individuals and institutions) during the trading period.

Listing of/Trading in the Rights Issue	<p>“Tadawul” is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company’s Rights Issue (separate from the Company’s trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the trading of the Rights:</p> <ol style="list-style-type: none"> <li>1. Keeping the acquired Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares.</li> <li>2. Selling the acquired Rights or a part thereof.</li> <li>3. Purchasing additional Rights through the Exchange.</li> <li>4. Refraining from taking any action relating to the Rights. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering.</li> </ol> <p>The different investors (institutional and individuals) may, during the Trading Period, purchase and sell Rights through the Exchange and (provided the Rights are held until the end of the First Offering Period) may exercise such Rights to subscribe for New Shares, 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 Trading Period. Therefore, the Rights trading will end with the end of the Trading Period.</p>
Indicative Value of the Right	<p>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 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.</p>
Right Trading Price	<p>The price at which the Right is traded. This price is set through the market supply and demand mechanism therefore, it may differ from the Indicative Value of the Right.</p>
Exercising the Issued Rights	<p>Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Entities’ branches or by subscribing electronically through the Receiving Entities offering such services to Applicants. 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 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 other investors (institutional and individuals) may trade in the Rights.</li> <li>• During the Second Offering Period, all Rights’ holders, whether Registered Shareholders or other investors (individuals and institutions) who have purchased the Rights during the Trading Period may exercise their Right 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 or failure to sell the Rights will be offered in the Rump Offering.</p>
Shares Allocation	<p>New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons no later than 25/11/1436H (corresponding to 9/9/2015G). (Please see Section “Subscription Terms and Conditions and Submitting of Applications”).</p>
Payment of Compensation Amounts (if any)	<p>Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares no later than 25/11/1436H (corresponding to 9/9/2015G ) (please see “Subscription Terms and Conditions”). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).</p>
Shares’ Dividends	<p>The New Shares 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 refer to “Dividends Policy” Section).</p>
Voting Rights	<p>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. Each Shareholder with at least 20 (twenty) shares has the Right to attend and vote at the General Assembly meeting.</p>
Shares trading	<p>Trading in the Rights on Tadawul is anticipated to start immediately after final allocation of shares and completion of all formalities.</p>
Risk Factors	<p>There are certain risks relating to investment in the Offering. These risks can be generally categorized into (a) risks related to the Company business, (b) risks related to the market and regulatory environment, and (c) risks related to the Shares. These risks have been presented in the section entitled (“Risk Factors”) in this Prospectus, which should be reviewed carefully before taking a decision to invest in the New Shares. (Please see “Risk Factors” section in this Prospectus).</p>

Previously listed shares by the Issuer	The Company has listed 20,000,000 Ordinary Shares on the Saudi Stock Exchange (Tadawul) on 04/08/1433H (24/06/2012G). The Founding Shareholders subscribed for (70%) of the Company's total current shares. The remaining shares (30%) were offered for public subscription through an IPO.																																							
Strategic Partners	<p>Alinma Bank and Tokio Marine and Nichido Fire Insurance Company Ltd, the ownership of each in the Company shares before Offering stands at 28.75%. They enjoy technical, technological, managerial and marketing experience, which provide added value to the business.</p> <p>The Strategic Partners provided commitment letters to subscribe for the Offered Shares according to their shareholding in the Company. Following is a table indicating the ownership of Strategic Shareholders before and after Offering.</p> <table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Before Offering</th> <th colspan="2">Post Offering</th> </tr> <tr> <th>No. of Shares</th> <th>%</th> <th>No. of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Alinma Bank</td> <td>5,750,000</td> <td>28.75%</td> <td>12,937,500</td> <td>28.75%</td> </tr> <tr> <td>Tokio Marine and Nichido Fire Insurance</td> <td>5,750,000</td> <td>28.75%</td> <td>12,937,500</td> <td>28.75%</td> </tr> </tbody> </table>					Shareholder	Before Offering		Post Offering		No. of Shares	%	No. of Shares	%	Alinma Bank	5,750,000	28.75%	12,937,500	28.75%	Tokio Marine and Nichido Fire Insurance	5,750,000	28.75%	12,937,500	28.75%																
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Restrictions to shares	<p>Founding Shareholders may not dispose of any of their shares for three consecutive full years each of which shall not be less than 12 months (Lock-in Period) from the Company's incorporation date. After expiry of such a period, Founding Shareholders may dispose of their shares providing that they shall obtain SAMA and CMA's approval on this action. Since the company has obtained its commercial Registration on 28/07/1433H (18/20/2012G), the Lock-in period has not expired yet and will expire on 31/12/2015G. Once the said period expires, if a Founding Shareholder wishes to sell part or all of his shares, he must obtain approval of SAMA and CMA.</p>																																							
Founding Shareholders	<p>The following depicts the data and ownership of Founding Shareholders:</p> <table border="1"> <thead> <tr> <th>Founding Shareholders</th> <th>Nationality</th> <th>No. of Shares</th> <th>Value of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Tokio Marine and Nichido Fire Insurance Company Limited</td> <td>Japanese</td> <td>5,750,000</td> <td>57,500,000</td> <td>28.75%</td> </tr> <tr> <td>Alinma Bank</td> <td>Saudi</td> <td>5,750,000</td> <td>57,500,000</td> <td>28.75%</td> </tr> <tr> <td>Sabic Industrial Investments Co.</td> <td>Saudi</td> <td>1,000,000</td> <td>10,000,000</td> <td>5.00%</td> </tr> <tr> <td>Saudi Establishment for Trading &amp; Distribution</td> <td>Saudi</td> <td>1,000,000</td> <td>10,000,000</td> <td>5.00%</td> </tr> <tr> <td>Abdullah Mohammed Alrmaizan</td> <td>Saudi</td> <td>400,000</td> <td>4,000,000</td> <td>2.00%</td> </tr> <tr> <td>Saudi Jean Company Ltd</td> <td>Saudi</td> <td>100,000</td> <td>1,000,000</td> <td>0.50%</td> </tr> </tbody> </table>					Founding Shareholders	Nationality	No. of Shares	Value of Shares	%	Tokio Marine and Nichido Fire Insurance Company Limited	Japanese	5,750,000	57,500,000	28.75%	Alinma Bank	Saudi	5,750,000	57,500,000	28.75%	Sabic Industrial Investments Co.	Saudi	1,000,000	10,000,000	5.00%	Saudi Establishment for Trading & Distribution	Saudi	1,000,000	10,000,000	5.00%	Abdullah Mohammed Alrmaizan	Saudi	400,000	4,000,000	2.00%	Saudi Jean Company Ltd	Saudi	100,000	1,000,000	0.50%
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Restriction on the Rights	<p>There are no restrictions on subscription by the Founding Shareholders for the Rights Issue shares. The Strategic Shareholders provided commitment letters to subscribe for their full share in the Rights. In case any of the substantial shareholders who holds 5% or more of the Company's shares is willing to acquire additional Rights during the first phase of the Offering, they shall abide by the following according to the Implementing Regulations of the Cooperative Insurance Companies Control Law:</p> <ol style="list-style-type: none"> <li>1. The Company's must report to SAMA through a quarterly report prepared by it of any shareholding by any person of 5% or more of the Company's shares.</li> <li>2. Every person who owns 5% or more of the shares of the Company must inform SAMA in writing of its ownership percentage, and of any change thereof within five working days from the date of such a change.</li> </ol> <p>After the restrictions period referred to above has elapsed with regard to "restrictions on disposition of shares", the Substantial Shareholders must obtain the approval of SAMA prior to the disposition of their shares</p>																																							

The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully prior to making any investment decision.

## Key Dates for the Eligible Subscribers

Milestone	Date
EGM, setting the Eligibility Date and Eligible Shareholders	on Tuesday 19/10/1436H (corresponding to 4/8/2015G)
First Offering Period Date and Trading in Rights	From Tuesday on 26/10/1436H (corresponding to 11/8/2015G) until Thursday on 5/11/1436H (corresponding to 20/8/2015G)
Second Offering Period Date	From Sunday on 8/11/1436H (corresponding to 23/8/2015G) until Tuesday on 10/11/1436H (corresponding to 25/8/2015G)
Offering Period End Date and deadline for submitting Subscription Applications Forms	From Tuesday on 10/11/1436H (corresponding to 25/8/2015G)
Rump Offering Period Date	From Sunday on 15/11/1436H (corresponding to 30/8/2015G) until Monday on 16/11/1436H (corresponding to 31/8/2015G)
Final Allocation Notification	on Wednesday 18/11/1436H (corresponding to 2/9/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	on Wednesday 25/11/1436H (corresponding to 9/9/2015G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

Note: The above timetable and all dates therein are indicative. Actual dates 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)

## Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	on Tuesday 19/10/1436H (corresponding to 4/8/2015G)
Announcement regarding the EGM outcome, including the approval of the Company’s Capital increase	Company	on Tuesday 19/10/1436H (corresponding to 4/8/2015G)
Announcement regarding the change in Company’s share price, shares’ deposit and announcement regarding the Indicative Value of the Right	Tadawul	on Wednesday 20/10/1436H (corresponding to 5/8/2015G)
Announcement regarding the New Shares subscription periods and Rights trading	Company	on Wednesday 20/10/1436H (corresponding to 5/8/2015G)
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	Company	on Tuesday 26/10/1436H (corresponding to 11/8/2015G)
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 5/11/1436H (corresponding to 20/8/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	on Sunday 8/11/1436H (corresponding to 23/8/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	on Tuesday 10/11/1436H (corresponding to 25/8/2015G)
Announcement regarding: <ul style="list-style-type: none"> <li>• Outcome of the First and Second Offering Periods,</li> <li>• details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering</li> </ul>	Company	on Thursday 12/11/1436H (corresponding to 27/8/2015G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	on Wednesday 18/11/1436H (corresponding to 2/9/2015G)
Announcement regarding the deposit of New Shares in the investors’ accounts	Tadawul	on Sunday 22/11/1436H (corresponding to 6/9/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	on Wednesday 25/11/1436H (corresponding to 9/9/2015G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul’s website [www.tadawul.com.sa](http://www.tadawul.com.sa).

## How to Apply

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First Offering Period (Registered Shareholders may subscribe for additional shares by purchasing new Rights during the trading period). Subscription for the acquired New Shares may be effected during the Second Subscription Period only and the Second Offering Period (as applicable) at the Receiving Entities' branches then deliver the same to any of these Receiving Entities before the end of the Second Offering period (even though they do not have an account with the Receiving Entity). Subscription may be made through Internet, Phone banking or ATMs to the Receiving Entities that provide any of such services provided that:

1. The subscriber (Eligible Shareholder) should have a valid banking account with a Receiving Entity that provide this service, and
2. The subscriber's (Eligible Shareholder) account should be updated.

Subscription Application Forms must be completed in accordance with the instructions mentioned under "Subscription Terms and Conditions" section of this Prospectus. Each applicant ("Eligible Person") must agree on all paragraphs in the Subscription Application Forms and fill it. 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 and Conditions. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Entities. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (Please see "Subscription Terms and Conditions" section of this Prospectus).

## FAQs about the Rights Issue Mechanism

### What is a Rights Issue?

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

### Who is granted the Rights?

The Rights are granted to all shareholders registered 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 Company 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 First Offering Phase.

### 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 owns 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 and its number of shares becomes 1,200, then, the eligibility ratio is 1 to 5 (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 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 SAR 35 (thirty-five Saudi Riyals) and the offer price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

**Can Registered Shareholders subscribe to additional shares?**

Registered Shareholders can subscribe to additional shares by purchasing new Rights during the trading phase. These Rights can be exercised to subscribe to the new additional shares only during the Second Offering Phase.

**How does the offering take place?**

The offering takes place as it currently does by submitting Subscription Applications at any of the Receiving Entities' branches (mentioned in this Prospectus) and only during the First Offering Phase and/or the Second Offering Phase.

**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 phase. Any excess in the shares subscribed over the number of Rights acquired at the end of Rights trading phase 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 is (1000) Rights as each share 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 after allocation be deposited?**

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 Entities or the Tadawul's Depository Centre 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 prior to 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 Entity 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 Phase.

**Is it possible to sell part of these Rights?**

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

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

No, that is not possible.

**When the subscriber can subscribe to the Rights he purchased during trading phase?**

During the Second Phase only after completion of the Rights trading phase.

**Can the eligible person sell the Right after expiry of the Trading Phase?**

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

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

The rump shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering organized by the lead manager in line with the standards set forth in this Prospectus.

**Will there be any additional fees for 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 to invest or not in the New Shares. Certain terms contained in this Prospectus have been defined in the “Definitions and Abbreviations” section of this Prospectus.

## Overview of the Company

Alinma Tokio Marine Company is a Saudi Joint Stock Company incorporated as per the Royal Decree No. (M/25) dated 3/5/1430H (corresponding to 28/4/2009G) and the Ministerial Resolution No. (140) dated 2/5/1430H (corresponding to 27/04/ 2009G) and CR No. (1010342527) dated 28/7/1433H (corresponding to 18/06/2012G) with head office at (King Fahd Road, Al Anoud Tower 2 Floor 21).

The Company exercises activities in line with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and other applicable laws and regulations in the Kingdom of Saudi Arabia under the supervision of SAMA and in compliance with Shariah Law. SAMA is the official authority responsible for the enforcement and supervision over the Cooperative Insurance Companies Control Law & its Implementing Regulations. The Company practices its activities within Saudi Arabia via its licensed branches, in addition to a number of points of sale distributed across most cities and regions of the Kingdom of Saudi Arabia.

The Company’s current Share Capital is two hundred million Saudi Riyals (SAR 200,000,000) consisting of twenty million (20,000,000) shares of nominal value of SAR10 each.

The Company’s Board of Directors in its meeting held on 2/1/1436H (corresponding to 26/10/2014) submitted recommendation to the Extraordinary General Assembly for increasing the Company’s capital from SAR 200,000,000 to SAR 450,000,000 through Rights Issue in order to reach & maintain the required solvency margin. Final approval of SAMA has also been obtained by the Company pursuant to letter No. 361000042979 dated 17/03/1436H (corresponding to 08/01/2015G) for a capital increase of two hundred fifty million Saudi Riyals (SAR 250,000,000) through a Rights Issue of twenty five million (25,000,000) shares of SAR 10 each. As such, the Company’s capital will total to (SAR 450,000,000) four hundred fifty million Saudi Riyals divided into (45,000,000) forty five million shares of nominal value of SAR 10 each. On 19/10/1436H (corresponding to 4/8/2015G), the Extraordinary General Assembly adopted the Board of Directors’ recommendation for increasing the Company capital.

## Company Activity

The Company has been licensed to exercise the following main insurance services: 1- General Insurance, 2- Health Insurance and 3- Protection and Saving Insurance. The Company has obtained approvals for the products:

### Final Approvals

- Insurance against Motor Accidents
- Group Credit Protection Insurance
- Credit Risk insurance
- Health insurance

### Temporary Approvals

• Property All Risk	• Erection All Risks
• Standard Fires	• Machinery Breakdown
• Contractors Plant and Machinery	• Workers Compensation
• Loss of Profit following Machinery Breakdown	• Fidelity Guarantee
• Boiler and Pressure Vessels	• Money in safe/ money transportation
• Marine Insurance	• Individual/ Group injury Insurance
• Public Liability Insurance	• Business Interruption
• Commercial General Liability	• Contractors’ All Risks
• Home Package	• Erection All Risks
	• Fire and Special Perils

## Conditional Approvals

- Platinum Savings Program
- Gold Savings Program
- Istithmar Program
- Zawaj Program
- Ta'aleem Program

Note: The Company should fulfil the required approval conditions and submit them to SAMA within one month from the approval letter issued by SAMA dated 29/8/1436H (corresponding to 16/6/2015G).

## Products under review

- Family Protection Plan
- Real Estate Mortgage Plan
- Maintaining Group Banks Instruments
- Travel Insurance
- Professional Compensations
- Executive and Employees Insurance

## Company Incorporation phases

The Company was incorporated as per the Royal Decree No. (M/25) dated 3/5/1430H (corresponding to 28/4/2009G) and the Ministerial Resolution No. (140) dated 2/5/1430H (corresponding to 27/04/ 2009G) and CR No. (1010342527) dated 28/7/1433H (corresponding to 18/06/2012G) issued at Riyadh. Upon incorporation, the Founding Shareholders subscribed to a total of fourteen million (14,000,000) shares representing 70% of the Company's capital of SAR 10 each, while six million (6,000,000) ordinary shares were subscribed by the Public through IPO representing 30% of the Company's capital of SAR 10 each during the period from 26/4/1433H (corresponding to 19/3/2012G) to 2/5/1433H (corresponding to 25/3/2012G). The Company has been listed on the Saudi Stock Exchange (Tadawul) since 4/8/1433H (corresponding to 24/6/2012G).

## Substantial Shareholders who own 5% or more of the Company Shares

Shareholders	Nationality	No. of Shares	Value of Shares (SSAR)	%
Alinma Bank	Saudi	5,750,000	57,500,000	28.75%
Tokio Marine and Nichido Fire Insurance	Japanese	5,750,000	57,500,000	28.75%
Sabco Industrial Investments Co.	Saudi	1,000,000	10,000,000	5.00%
Saudi Establishment for Trading & Distribution	Saudi	1,000,000	10,000,000	5.00%
<b>Total</b>	-	<b>13,500,000</b>	<b>135,000,000</b>	<b>67.5%</b>

Source: Company

The above ownerships are all direct and there are no indirect ownerships.

## Company Vision

The Company intends to be an insurance operator of choice in KSA by providing the highest quality customer-oriented products and services supported by well-trained human resources and state-of-the art information technology.

## Company Mission

To build trust and create value for customers through Sharia-compliant insurance solutions by highly talented people, superior technology and consistently setting higher standards of service.

## Company Strategy

The Company intends to position itself as pioneer in the Saudi insurance market by providing diversified and superior quality products & services. The Company strategy is based on a set of main elements through which it acts for realizing its objectives:

- **The Growth Strategy, by:**
  - Developing specialized insurance products making use of the long-term expertise and knowledge of the strategic partner Tokio Marine & Nichido Fire Insurance Company Ltd.
  - Developing specialized products such as Protection and Savings products to cater for diversified insurance products to customers.

- **Production Efficiency, by:**
  - Determining the insurance businesses and products that fit with ATMC's risk appetite and reinsurance capacities.
  - Improving internal risk engineering capabilities relating to the Company businesses.
  - Delivering high quality customer services, particularly in connection with insurance customer claims.
  - Delivering high quality customer services and positive interaction with customer claims & proposals.
  - Putting in place Controlled underwriting structure.
- **Selectivity, by:**
  - Continuous endeavoring for ensuring reasonable retention levels of potential risk and protection against large insurance claims of high values.
  - Gain insight into the experience of regional insurance markets, especially with regards to the insurance claims.
  - Maximizing the profitability rates of new products and renewed insurance policies through a pricing policy that is balanced & compatible with similar products in the local market. Ongoing development of underwriting management.
- **Ongoing development of corporate manpower by:**
  - Setting comprehensive training programs for developing the skills and experiences of ATMC's staff.
  - Strengthening an ongoing career development planning for the ATMC staff's at all levels.
  - Structured system of ATMC performance management assessment applicable to all corporate departments and reviewed periodically.
  - Ensuring good Saudization rates in line with the regulatory requirements and continuing endeavor to localize jobs within ATMC.

## Competitive Advantages

The Company has a number of competitive advantages compared to some of its competitors in the insurance market. These advantages include:

- **Management Team with KSA and Global Insurance Expertise**

The Company's management has many years of accumulated insurance experience & knowledge locally, regionally and globally.

- **Solid Customer Base**

The Company has built strategic relationships with some major customers over the years that helped it expand and grow. These customers include some of the leading businesses in Saudi Arabia and this has enabled the Company to successfully leverage these relationships to market its products to new customers.

- **Diversified Array of Products and Services**

The Company has secured license from SAMA covering over twenty (20) insurance products in the area of both General Insurance and Health Insurance to cover the growing needs of most individual customers and businesses. Moreover, Five (5) products are under review of SAMA and other six (6) insurance products are under development. ATMC is able to use the World Class resources of Tokio Marine to provide these services while at the same using their expertise to develop its own skills and capabilities.

- **Advanced IT**

The Company has availed state-of-the art information and technological insurance systems which will contribute to the leverage of its business efficiency and development of its products.

- **Strong Internal Controls and Risk Management Systems**

The Company has developed necessary systems for risk management and internal controls which signals early warning of any challenges or risks, and initiate corrective measures to curb their effects on the Company's business.

## Overview of Insurance market in Saudi Arabia

The information and data contained in this Prospectus regarding insurance industry and market have been obtained from different sources available to the public and believed to be reliable. While neither the Company nor any of its advisors have any reason to believe that any of the information mentioned in this section is materially inaccurate, such information has not been independently verified and no representation can be made with respect to its accuracy or completeness. Sources of information regarding insurance sector include:

- The Company's estimates and expectations.
- Data and analysis related to insurance industry and economy obtained from third parties sources, and are available to the public and can be obtained via the Internet, and therefore written consent to use this information in the Prospectus has not been sought.

The insurance market in Saudi Arabia is relatively recent, as insurance industry used to cover only export and oil sectors in the seventies of the last century. Insurance sector faced many difficulties due to the absence of the regulatory laws. There were more than 100 companies registered as foreign entities operating from abroad as international insurance brokers or agents for private insurance companies, for the purpose of providing insurance services in the Kingdom. These companies were registered in Bahrain due to its geographical proximity to the Kingdom. In the absence of a regulatory framework, the insurance policyholders used to suffer from lack of official agency responsible for protection of consumers interests from fraudulent or illegal acts. This paved the way for later reforms and restructuring of the insurance sector in the Kingdom, where resolution No. 51 dated 04/04/1397H (23/03/1977G) issued by Council of Senior Scholars in Saudi Arabia, considering that Cooperative Insurance as a model of donation and therefore it is acceptable in Islamic law. In 1406H (corresponding to 1986G), the government established the National Company for Cooperative Insurance "NCCI" as the first cooperative insurance company, in order to cover local insurance needs and to meet the government ambition to have all insurance activities in the public sector under its regulatory control.

SAMA regulates and supervises the insurance industry and develops and applies the licensing criteria for insurance companies. The new insurance law requires insurance companies either to obtain approval to operate in KSA according to the Cooperative Insurance Control Law issued in 2003G or finish and wind up their business in the Saudi Market. SAMA granted a grace period up to 17 February 2010G for insurance companies that obtained a Royal Decrees for their incorporation, but their formalities have not been finalized, to renew the insurance policies for their clients.

The structural reforms adopted by the Government led to expansion of insurance sector at high rate during the past few years, as insurance industry grew from SAR 10.9 billion (USD 2.9 billion) in 2008G to SAR 25 billion (USD 6.7 billion) in 2013G at a CAGR of 18%.

SAMA's 2013G Annual Report indicated that motor insurance constituted 49% of Gross written premiums while health insurance constituted 33% of same. Notably, health insurance became mandatory for all expatriate and local workers in the private sector as of 15 July 2006G according to the data of the Cooperative Health Insurance Council. Motor insurance is a mandatory requirement (according to the stipulations of the Cooperative Insurance Companies Control Law promulgated by Royal Decree No. M/32, dated 02/06/1424H and its Implementing Regulations issued under the Minister of Finance's resolution No. 1/596, dated 1/03/1425H, and the council of Ministers resolution No. 222, dated 13/8/1422H on the Motor mandatory insurance and start the work on "Unified Motor Insurance Policy") which was approved by SAMA Governor).

## Overview of Financial Information

The selected financial summaries presented below should be read in conjunction with the audited financial statements and their accompanying notes for the financial period from 9 June 2012G up to 31 December 2013G and the financial year ended on 31 December 2014G:

Financial Position (SAR)	31 December 2013G (Audited)	31 December 2014G (Audited)
Total assets of the insurance operations	64,722	89,667
Total assets of shareholders' operations	132,341	91,926
<b>Total assets</b>	<b>197,063</b>	<b>181,593</b>
Total liabilities of the insurance operations	64,722	89,667
Total Shareholders, liabilities	13,566	3,513
Total shareholders' equity	118,775	88,413
Total shareholders' equity and liabilities	132,341	91,926
<b>Total liabilities of the insurance operations and shareholders' equity and liabilities</b>	<b>197,063</b>	<b>181,593</b>

Source: financial statements for the period from 9 June 2012G up to 31 December 2013G and the financial year ended on 31 December 2014G

Income Statements (SAR)	9 June 2012G - 31 December 2013G (Audited)	Year ended on 31 December 2014G (Audited)
Gross written premiums	51,252	92,585
Total paid claims	(56,132)	(44,878)
Net incurred claims	(12,469)	(33,134)
Net deficit transferred from insurance operations	(40,780)	(27,576)
General and Administrative Expenses	(10,104)	(2,951)
<b>Net loss for the period/ year</b>	<b>(73,050)</b>	<b>(29,382)</b>
<b>Basic and reduced loss per share for the period/ year (after Zakat)</b>	<b>(3.65)</b>	<b>(1.47)</b>

Source: financial statements for the period from 9 June 2012G up to 31 December 2013G and the financial year ended on 31 December 2014G.

Statement of Cash Flow (SAR)	9 June 2012G - 31 December 2013G (Audited)	Year ended on 31 December 2014G (Audited)
Net cash from operating activities	15,534	14,023
Net cash from (used in) investing activities	(6,610)	(3,250)
Net cash used in financing activities	-	-
Cash and cash equivalents at end of year	8,924	10,773
Cash Flows used in operating activities	(82,898)	(41,597)
Net cash from (used in) investing activities	(59,729)	27,313
Net cash used from financing activities	194,058	-
Cash and cash equivalents at end of year	51,431	37,147

Source: financial statements for the period from 9 June 2012G up to 31 December 2013G and the financial year ended on 31 December 2014G.

Major Financial Indicator	9 June 2012 - 31 December 2013 (Audited)	Year ended on 31 December 2014 (Audited)
Ratio of accumulated losses / Capital	41%	56%
Net earned premiums / Gross written premiums	17%	36%
Net Loss Ratio	(143%)	(100%)
Incurred claims /Net written Premiums	(1%)	(3%)
Earned reinsurance commission / Ceded premiums	(9%)	(15%)
Expenses Ratio	(456%)	(108%)
Current Ratio	263%	172%
Cash Ratio	185%	102%
Share Net Book Value (SAR)	5.94	4.42
Insurance and reinsurance premiums receivables ratio / Gross written premiums	33%	31%
Net Insurance and reinsurance premiums receivables ratio / total Assets	8%	16%
Assets Turnover rate	26%	51%

Source: financial statements for the period from 9 June 2012G up to 31 December 2013G and the financial year ended on 31 December 2014G.

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## 1. Definitions and Abbreviations

The following table presents a list of abbreviations and expressions / idioms used in this Prospectus:

Term	Definition
CAGR	Compounding Annual Growth Rate.
SOCPA	Saudi Organization for Certified Public Accountants.
IFRS	International Financial Reporting Standards .
ATMC or the Company	Alinma Tokio Marine Company.
Senior Executives or Management or Senior Management	Any person who manages or is responsible for implementing strategic decisions of the Company including CFO, CEO and his deputies.
Traded security	A traded security on the Exchange.
The Shares	The Company's Ordinary Shares amounting to 20,000,000 fully paid at a nominal value of SAR 10 per share.
Rights Issue	Offering of additional shares where the Company's shareholders have the Right to subscribe for additional shares commensurate with their shareholding percentage.
Subscription, The Offering, or Rights Issue	Capital increase of ATMC from SAR 200,000,000 to SAR 450,000,000 by offering new Rights Issue of 25,000,000 shares at a total value of SAR 250,000,000 and the nominal value of SAR10 per share.
Offer Shares	25,000,000 New Ordinary Shares of ATMC.
Eligibility Date	Close of trading on the EGM voting on the increase in the Company's capital according to the Board recommendation on 19/10/1436H (corresponding to 4/8/2015G).
First Offering Period	From Tuesday 26/10/1436H (corresponding to 11/8/2015G), until the end of Thursday 5/11/1436H (corresponding to 20/8/2015G), during which 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 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 other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights.
Trading in Rights	Eligible Persons may trade in (Buy and Sell) the Rights of (1) Right for each (0.08) of the Company's shares in Tadawul.
Trading Period in the Rights	Will commence on Tuesday 26/10/1436H (corresponding to 11/8/2015G) and will last up to and including Thursday 5/11/1436H (corresponding to 20/8/2015G). Registered Shareholders and other investors (institutional and individuals) entitled to trade on the Saudi Stock Exchange, may trade in the Rights during this period.
Second Offering Period	From Sunday 8/11/1436H (corresponding to 23/8/2015G), until the end of the day on Tuesday 10/11/1436H (corresponding to 25/8/2015G) ("Second Offering Period"), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe (referred to collectively as "Eligible Persons", and each an "Eligible Person"). Rights may not be traded during the Second Offering Period.
Rump Shares	The remaining Shares that have not been subscriber for in the first and second phases.
Rump Offering	Rump Shares will be offered to a number of institutional investors provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 15/11/1436H (corresponding to 30/8/2015G), until the following day at 10:00 AM on 16/11/1436H (corresponding to 31/8/2015G). The Rump Shares will be allocated to Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Registered Shareholders	The Company's Shareholders Registered in the Shareholders Register at the end of day on which the EGM is held.
Exercising of Rights	Application for subscription to the New Shares by the Eligible Persons through completion of application forms and payment of the money to the Receiving Entities or through electronic subscription to the Receiving Entities providing such type of service.

Term	Definition
Financial Broker	A joint stock company conducts brokerage business and the broker's agent working for the brokerage firm, who conducts all or some of the following: <ol style="list-style-type: none"> <li>1. Acts on commercial basis as a broker in securities trading.</li> <li>2. Submits on commercial basis an offer to others to obtain financial assets in the form of securities.</li> <li>3. Implements on commercial basis securities transactions for his own account not through issuance of securities, in order to find a market in the securities, or to make a profit resulting from the difference between the supply and demand prices of securities.</li> <li>4. Conducts on commercial basis acquisition or offering of securities for the issuer, or a person in control of that issuer and</li> <li>5. Conducts brokerage on commercial basis including currency swap and securities contracts arrangements.</li> </ol>
Institutional Investors	Includes the following institutions: <ol style="list-style-type: none"> <li>1. Publicly Offered Investment Funds established in Saudi Arabia and investing in Saudi Securities provided that the Fund terms and conditions allow and the terms and conditions of the Investment Funds Regulations are observed.</li> <li>2. Persons authorized by CMA to deal in securities as principal provided that the financial adequacy requirements are observed.</li> <li>3. Publicly listed companies via their portfolios managed by authorized persons and the banking and the publicly listed insurance companies in compliance with CMA regulations provided that their subscription shall not involve any conflict of interest.</li> </ol>
Underwriting Agreement	The underwriting agreement between the Company and the Underwriters.
Receiving Entities	The agents that receive the subscription applications from individual subscribers during the Offering Period. They include Alinma Bank, Samba Financial Group and Riyad Bank.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
Shareholders Meeting	Shareholders meeting of the Company's Shareholders that handles all matters related to the Company and convene at least once during the six months following the end of the fiscal year.
Government	The Government of Saudi Arabia.
Offer Price	10 Saudi Arabian Riyals per Offer Share.
Share	An Ordinary share of the Company with a nominal value of ten Saudi Arabian Riyals (SAR 10) each.
Nominal Value	SAR 10 per Share.
Saudization or Nationalization	Labour regulations in the Kingdom that oblige Companies to employ a certain percentage of Saudis.
The Exchange	The Saudi Stock Exchange (Tadawul).
Person	A natural person.
Related Party	They are meant to be: <ol style="list-style-type: none"> <li>1. Issuer's affiliates</li> <li>2. Issuer's major shareholders.</li> <li>3. Issuer's Directors and senior executives.</li> <li>4. Issuer affiliates' directors and senior executives.</li> <li>5. Issuer major shareholders' directors and senior executives.</li> <li>6. Issuer's Legal Counsel and Financial Advisor.</li> <li>7. Any relatives to the persons referred to in points (1, 2, 3, 4, or 5) above.</li> <li>8. Any Company controlled by any person referred to in points (1, 2, 3, 4, 5, 6, or 7) above.</li> </ol>
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.
Control	The ability to influence the actions or decisions of another person, directly or indirectly, alone or in combination with a relative or affiliate, through any of the following: <ul style="list-style-type: none"> <li>• Possession of ratio equals to 30% or more of the voting Rights in the Company.</li> <li>• The Right to appoint 30% or more of the members of the management team, and the word "controlling" shall be interpreted accordingly.</li> </ul>
Financial Statements	The financial statements of the Company for the period from 9 June 2012G until 31 December 2013G and for the year ended on 31 December 2014G.

Term	Definition
Public	In the Listing Rules, it means the persons other than the following: <ol style="list-style-type: none"> <li>1. affiliates of the issuer.</li> <li>2. substantial shareholders of the issuer.</li> <li>3. directors and senior executives of the issuer.</li> <li>4. directors and senior executives of affiliates of the issuer.</li> <li>5. directors and senior executives of substantial shareholders of the issuer.</li> <li>6. any relative of persons described at (1), (2), (3), (4) or (5) above.</li> <li>7. any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above. or</li> <li>8. persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.</li> </ol>
Listing Rules	The Listing Rules issued by the CMA pursuant to resolution No. 3/11/2004, dated 2/8/1425H (corresponding to 4/10/2004G) based on the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G) and subsequent updates up to the date of this Prospectus.
Financial or Fiscal Year	A financial year ending on 31 December of every calendar year.
Offering Proceeds	Total value of subscribed shares.
Net Offering Proceeds	Net value of Offering Proceeds after deduction of Offering Expenses.
Underwriter	Alinma Investment Company and the Saudi Kuwaiti Finance House.
Lead Manager	Alinma Investment Company.
Financial Advisor	Saudi Kuwaiti Finance House.
Board or Board of Director	The Board of Directors of the Company .
Director or Board Member	For a joint stock company, it includes the members of the Board of Directors, and for any other company, it includes any director or another senior official whose duties include development and implementation of strategic decisions for the Company.
Substantial Shareholder	Shareholder who owns 5% or more of the Company shares.
Shareholder or Shareholders	The holders of the Shares as at any particular time.
Voting Rights	The Company has only one class of Shares. No Shareholder shall have any preferential Rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the Right to attend and vote at the General Assembly meeting.
Advisors	The Company's advisors with regard to the Offering whose names appear on pages vi & vii
Actuary	An expert who conducts various statistical and probability theories using which services are priced, liabilities are assessed and provisions are calculated.
Subscriber	Any person who subscribes for the offered shares.
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia.
CMA or the Authority	Capital Markets Authority of Saudi Arabia.
Tadawul	The Saudi Arabian Stock Exchange .
SAMA	Saudi Arabian Monetary Agency.
By-Laws	The Company's by-laws .
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H, as amended.
Insurance company	An insurance company under supervision and control of SAMA.
The beneficiary	A natural or legal person who benefits from the returns under the policy as a result of being subject to the covered risks.
Regulations implementation control officer	A natural person who attends to the regulatory activities to ensure compliance with all laws and regulations.
Facultative Insurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
GCC	Gulf Cooperation Council.

Term	Definition
Insurance	A contractual mechanism based on which pure risk burdens are transferred by sorting and grouping them.
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies.
Insured	A natural person or legal entity, which has taken an Insurance Policy.
Insurer	An insurance company that accepts insurance contracts to assume the risk of the insured loss and to compensate for that loss directly to insured(s).
Policyholders	The persons who hold insurance policies issued by the Company.
Insurance brokers	A legal person who represent an existing or prospective insured person against a commission to attract policies and negotiate their terms.
Insurance Agency	A legal person who represent the insurer against a fee to attract insurance contracts, negotiate their terms and conclude them.
Insurance Claims Settlement Specialist	A legal person, who studies and evaluates losses, negotiates settlements on behalf of the insurance company.
Loss Evaluator	A legal entity that studies insurance risks before insuring-them, studies damages after their occurrence to determine reason, estimate value and define responsibilities.
Insurer and Re-insurer	A legal person authorized to provide insurance and re-insurance services or related authorize services in Saudi Arabia, who works for an insurance Company.
Risk	An event that may include or do not include loss, but does not include any gain.
Retained Risks	The risks retained by the Company in its records in comparison with the risks assigned to the reinsurance Company.
Gross Written Premium	Gross written premium (whether ceded or not) of insurance policies within certain timeframe without deducting assigned premiums.
Net Written Premium	Gross written premium for a specific period minus assigned premiums to reinsurers during that period.
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
proportional reinsurance	Service provider incurs a proportion of the loss as much as the benefit obtained from the insurance policy, especially with regard to high-volatile and risky business, so that it does not include life insurance.
Non-proportional reinsurance (surplus loss)	Contractual reinsurance under which the insurer undertakes to support specific risks within the limits of certain amounts exceeding the stated loss amount born by the insurer. The reinsurer undertakes to accept the insurance for the risks attributed thereby.
Outstanding Claims	The claims and accidents, which are still under consideration and not yet settled or paid. They equal the loss amount claimed by the insured based on the policy's insurance amounts.
Underwriting costs of insurance policies	Total costs of underwriting insurance policies including commissions and the part of expenses relating to management and other general costs that are attributed to insurance operations.
Technical Provisions	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations.
Solvency Margin	To what extent the Company's assets are transferrable to cash in excess of its obligations.
Retention Rate	A measure of underwritten insurance premiums maintained by the insurance company. It can be attained by dividing the net underwritten premiums on the total subscribed premiums.
Loss Rate	Incurred claim rates to net ceded premiums.
Implementing Regulations	Implementing Regulations of Cooperative Insurance Companies Control Law issued under Ministerial decision No. 1/596 dated 1/3/1425H (corresponding to 21/4/2004G).
Insurance Law	Cooperative Insurance Companies Control Law and its Implementing Regulations
Subscription or Premium	The amount paid by the insured to the insurer against agreement of the insurer to compensate the insured for loss or damage resulting directly from covered risks.

Term	Definition
Penetration rate	Total insurance premiums underwritten divided by the GDP.
Insurance Density	Total premiums underwritten per capita.
Cooperative Health Insurance Council (CHIC)	Cooperative Health Insurance Council established in accordance with the Cooperative Health Insurance Law issued by Royal Decree No. (M/10), dated 01/05/1420H (13/08/1999G) and amendments thereto.
Investment portfolio	An investment instrument that comprises 2 assets or more.
Net Acceptable Assets	Assets that inter the account of solvency margin only minus total liabilities according to the Implementing Regulations.
Total Underwritten Premiums method	Method of calculating the required solvency margin, calculated as follows: <ol style="list-style-type: none"> <li>1. The classification of the total premiums for insurance branches in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Agency (Table 3).</li> <li>2. Net premiums calculated for each branch after deducting their own share of reinsurance so that it will not fall less than 50% of the total premiums of this branch.</li> </ol> The solvency margin is calculated by multiplying the relative factor by the adjusted net premiums.
Claims method	Method of calculating the required solvency margin, calculated as follows: <ol style="list-style-type: none"> <li>1. Total claims are classified based on historical data for the previous three years in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Agency (Table 3).</li> <li>2. Net premiums calculated for each branch after deducting the share of reinsurance so that it will not fall less than 50% of the total claims of this branch.</li> <li>3. The required solvency margin is calculated by multiplying the relative factor by the adjusted net claims.</li> </ol>
Subscription Application Form	The application form submitted by the subscriber to purchase the offered shares.
Prospectus	This document prepared by the Company in relation to the Offering.
Products	Products and services Provided by the Company.
Strategic Partners	Alinma Bank and Tokio Marine and Nichido Fire Insurance Company Ltd, the ownership of each in the Company shares before Offering stands at 28.75%. They enjoys technical, technological managerial and marketing experience, which provide added value to the business.
Risk Factors	They are the potential effects that must be known and hedged before making an investment decision.
Corporate Governance Regulations	The corporate governance regulations in KSA issued by Capital Market Authority under resolution No 1/212/2006G, dated 21/10/1427H (corresponding to 13/11/2006G) and subsequent amendments.
Credit Rating	An opinion in the level of credit rating for an organization or a security, using codes, letters numbers, or any other form.
Rated party	A legal person whose level of credit worthiness is rated explicitly or implicitly in the credit rating (including the issuer of the security to be rated), whether upon its request or whether it provides the information necessary for rating of its credit worthiness.
BBB Rating	A credit rating from Standard & Poor's expresses sufficient capacity to meet the financial obligations, except that in the event of an unfavorable or changing economic conditions, it is likely to lead to an impaired ability to meet financial obligations (average quality).
S&P	Standard and Poor's, an American company specialized in rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to more than 2000 internationally listed companies.
AA- Eating	A credit rating from Standard & Poor's reflects a high level or high-quality creditworthiness. The negative (-) signal refers to the minimum in the AA group (very low risk).
International Monetary Fund (IMF)	A specialized agency of the Bretton Woods system of the United Nations, was established under an international treaty in 1945G to work on enhancing the safety of the global economy. The Fund's headquarters is in Washington, DC, and is managed by its members, who include almost most of the world countries.
Working day	Any day except Fridays, Saturdays and public holidays, in which the Receiving Entities open up for normal business activities.

## 2. Risk Factors

In addition to the information contained in this Prospectus, prospective investors should carefully consider all the risk factors described below before deciding whether to purchase 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. Market price of Offer Shares may decline because of the occurrence or realization of any of these risks or others, which may result in partial or total loss of subscribers' investments.

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

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

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

The risks described below are presented in an order that does not reflect the extent of their importance, and expected impact on the Company's business and operations.

### 2-1 Risks relating to the Company's Operations

#### 2-1-1 Adequacy of Reserves

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

- Unearned Premium Reserves
- Unpaid Claims Reserves
- Claim Expense Reserves
- Incurred But Not Reported ("IBNR") Claims Reserves
- Unexpired Risk Reserves
- Catastrophe Risk Reserves
- General Expenses Reserves

The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid Insurance Policy claims, the Company cannot determine precisely the amount, which would ultimately be paid to settle these liabilities. The assumptions upon which reserve calculations are based may also be revised as additional experience or data become available, such as obtaining highly reliable historical data of claims incurred or in case of occurrence of change in existing laws or difference in interpretation of texts. In addition, the relatively short history of the limited amount of data on the insurance sector in the Kingdom with respect to results of previous claims might affect the Company's ability in preparation of assumptions of insurance accounts for certain products. It should be noted that the total value of claims incurred rose from SAR 10.57 million in 2013G to SAR 33.13 million by the end of 2014G. As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company then will need to increase reserves. An increase in loss reserves may reduce the net income and, if large enough, will have a material adverse effect on its business, financial condition and results of operations.

#### 2-1-2 Risks of Transactions with Related Parties

The Company entered into a number of contracts with related parties, including founding shareholders and their subsidiaries. The Company has contracted with Alinma Bank, which is a major shareholder, and with Alinma Investment Company (a subsidiary of Alinma Bank) for providing various services to the Company, including (a) management of the Company's insurance portfolio by Alinma Investment Company, a subsidiary of Alinma Bank and (b) provision of legitimacy consultations by the Shariah Committee of Alinma Bank (Please refer to Section (6) "Legal Information - Summary of significant contracts and agreements").

No assurances can be given regarding the terms of those transactions or any other transactions between the Company and related parties that they would be appropriate and reflect the best economic and financial interests of the Company. If these contracts are made on commercial rather than preferential basis, the Company's business, financial condition and results of operations could be adversely and materially affected.

Engagements with related parties, represented in the Company's dealings with Alinma Bank worth SAR 13.6 million, constituting 26.6% of the total premiums written with the Company during the year 2013G, while the volume of dealing with Alinma Bank reached SAR 20.7 million during the year 2014G, or 22.4% of total premiums written with the Company.

The Company did not bear any underwriting costs for deferred protection and savings protection policies for Alinma Bank during the years 2013G and 2014G because these policies relating to loans portfolio of Alinma Bank, which is classified as direct client of the Company.

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

### **2-1-3 Unsatisfactory investment returns**

The Cooperative Insurance Companies Control Law imposes certain restrictions on the Company's investments that must vary to reduce the risk of volatility or loss of part of its value. Given the diversity in investments imposed by regulation in addition to the low returns on cash deposits to the lowest level, the Company is not expected to achieve significant growth in its investment portfolio and therefore limits the Company's ability to cope with any unexpected increase in insurance claims that are not covered by reserves. If the Company fails to succeed in the management of liquidity in the short term, they may have to liquidate their investments at some times at unfavourable prices, which could have a material adverse effect on the financial position of the Company and results of operations. Management of these investments requires an effective administrative system and high ability to choose quality and diversity of investments.

However, any failure in this regard may result in decrease of the Company's revenues and subsequently the shareholders' equity, which would have a material adverse impact on the Company's business and financial condition.

The Company's investments are substantially concentrated in Al-Rajhi Commodities Fund, where the Company's investment volume in this fund reached SAR 32.3 million as of 31/12/2014G, or up to 94% of the total investments of the Company. Due to the significant concentration of the Company's investments in one fund, any failure in returns of this fund will lead to a decline in the earnings and shareholders' equity which would have a material adverse impact on the Company's business and financial condition.

### **2-1-4 Risks related to Concentration of Clients Indebtedness**

General insurance contracts are concentrated in a small number of clients. The indebtedness of only five clients reached 62% of the total written premiums receivables amounting to SAR 10.1 million as at the end of the fiscal year 2014G. Abdul Latif Jameel Import & Distribution Company as the largest client for the Company represented 37% of the total receivables from insurance premiums clients, while Jerry Transport Company came in second place of 12% of the total receivables from insurance premiums clients. The proportions of the other three companies came by 5% for each company of the total receivable insurance premiums, and in the case of loss of any of its key customers, or if it is exposed to large claims from them, the Company's financial condition and results of operations will be adversely affected.

### **2-1-5 Risks of Customers Concentration**

Total insurance premiums for both Abdul Latif Jameel Import & Distribution Company and Alinma Bank represented 56% of the total written premiums during the year 2014G. Written premiums by Abdul Latif Jameel Import & Distribution Company reached SAR 51.9 million, or 34% of total written premiums, while the value of premiums written by Alinma Bank reached SAR 20.7 million, equivalent to 22.4% of total written premiums during 2014G.

In case the Company loses any of these key clients, or in the event it is exposed to large claims from them, its financial condition and results of operations will be adversely affected.

### **2-1-6 Litigations, Claims and Regulatory Action**

In the ordinary course of its business, an insurer may pursue litigation claims against third parties and may also have litigation claims filed against it. Some of these claims could result in the Company having to pay substantial compensations that could adversely affect the Company's financial position or results of operation.

Until the date of this Prospectus, there is only one claim for a total amount of SAR 116,626, filed against the Company with the Sixth Commercial Department at Riyadh Administrative Court. A ruling was issued rejecting the case for lack of jurisdiction, and it has been forwarded to the General Secretariat of Insurance Disputes and Violations Committees at SAMA. (Please refer to Legal Information Section "Disputes, Litigations and Claims").

It is possible that insurers may be subject to future reviews or inspections at any time by the regulator in charge of supervising the activities of the insurance companies. The Company cannot predict the scope or outcome of any such

reviews, investigation, or proceeding (if it was to occur) and cannot assure that such reviews would not result in any changes to the Company's condition or business, or whether they would have adverse impact on the Company's results and financial condition.

### **2-1-7 Unpredictable Catastrophic Events**

The Company's property and casualty insurance operations expose it to claims arising out of, among other events, hailstorms, floods, wind, fires, explosions, industrial accidents, and terrorist attacks.

The extent of losses from a catastrophe is a function of both the severity of the event and the total amount of insured exposure in the area affected by the event. Also, the actual nature of such events when they occur could be more frequent and severe than contemplated in the Company's pricing and risk management expectations.

Claims related to catastrophes could cause substantial volatility in financial results of the Company for any fiscal year and severe catastrophic events could have a material adverse effect on the Company's financial condition and results of operations.

### **2-1-8 Risk Management and Monitoring Policies**

In drawing the policy of risk management and control, the Company relies on the regulations of the Cooperative Insurance Companies Control Law, as well as on the Company's regulations related to risk management. Failure to implement or update this policy, or to obtain sufficient data for making timely decisions, may subject the Company to various risks, including the non-compliance with the regulations of the Cooperative Insurance Companies Control Law and to the risk management regulations, which would expose the Company to various sanctions contained in the Law, including the withdrawal of the Company's license.

### **2-1-9 Dependence on Tokio Marine and Nichido Fire Insurance Company in several important aspects**

The Company relies on Tokio Marine and Nichido Fire Insurance Company in provision of expertise and administrative services and referring some of the insurance activities to it. If Tokio Marine and Nichido Fire Insurance Company waived its shares in the Company or part of them, the Company will be forced to get certain alternative services from other parties. In this case, the Company may not be able to get these services under similar conditions, which may have negative impact on the Company's business, financial condition, cash flows, results of operations and/ or future prospects.

Moreover, the loss of connection with Tokio Marine and Nichido Fire Insurance Company or deterioration of the brand name reputation of that company may have negative impact on the Company's image, its position in the market and the level of customer demand to renew their insurance policies.

### **2-1-10 Risks related to Reliance on Alinma bank**

The Company relies heavily on its constant work with Alinma Bank as the largest shareholder in the Company and one of its largest customers. The Company has issued several insurance policies to cover the needs of Alinma Bank clients for Car Rental policies and Real Estate Mortgage policies, where the size of transaction with Alinma Bank during the year 2014G reached SAR 20.7 million, representing nearly 22.4% of the total written premiums of the Company.

If Alinma Bank becomes no longer one of the largest shareholders in the Company or in the event of significant decline in the size of the Company's business with Alinma bank, the Company's financial results and future prospects will be adversely affected.

### **2-1-11 Risks relating to Operational Systems and Information Technology**

The Company's dependence on information systems to run its business, process insurance claims and issue periodic financial reports to senior management of the Company or to SAMA, in an accurate and timely manner, could expose the Company's business to risks in case the approved information system is subject to partial or total interruption or malfunction. This may also lead to non-compliance with regulations and rules, and lack of appropriate response to variables in the insurance business.

There can be no assurance that the Company's business activities would not be interrupted or materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems. In addition any unauthorized access, computer viruses or other events with security consequences could affect the business of the Company and lead to reputational damage. The Company may also be affected if a client counterparty or third party with whom it does business, suffers a serious breakdown or security breach in its information or communication systems. Equally, clients, counterparties and third parties may suffer damage if the Company's information or communication systems break down or are breached.

## **2-1-12 Employee Misconduct or Error**

The Company cannot guarantee no occurrence of incidents of misconduct by its employees during the practice of its business, such as fraud, intentional or unintentional errors, failure to document transactions efficiently and precisely, and to obtain proper internal authorization to take any action. As a result, employee misconduct or error could result in violation of law by the Company, regulatory sanctions, financial liability and/or serious damage of reputation to the Company. The Company cannot guarantee that employee misconduct or error will not materially and adversely affect its financial condition.

## **2-1-13 Dependence on Key Personnel**

Key personnel of the Company play an important role in the success of the Company's business, and as such its success and future prospects will depend to a large extent on its ability to recruit and retain high quality personnel. There can be no assurance that the Company will be able to find, or find in a timely manner, qualified replacements for individuals or to attract and retain additional qualified personnel as and when needed.

Furthermore, competition for personnel with relevant expertise is intense in the market due to the scarcity of qualified individuals. Therefore, the Company may be adversely affected by the loss of services of one or more key members in the short to medium term which could lead to a disruption of the Company's operations and adversely impact the Company's business prospects, financial condition, and results of operations. In order to retain skilled and qualified individuals, the Company might be forced to offer them higher compensation and other benefits.

Many of the Company's key personnel working in Saudi Arabia are not Saudi nationals. Under Saudi law, non-Saudis may not engage in any work in Saudi Arabia without an appropriate governmental work permit. The Company's success may depend in part on the continued services of key personnel in Saudi Arabia. No assurances can be given that any work permit will be issued or, if issued, renewed upon the expiration of the relevant term. It is possible that Saudi Arabia could change its laws or policies in a way that would make it more difficult for non-Saudis to obtain work permits.

## **2-1-14 Liquidity Risks**

The Company faces liquidity risks when it becomes unable to provide necessary funds to fulfil its financial obligations and liabilities due to lack of liquidity on the specified time. The Company does not guarantee non-occurrence of any contingencies or unexpected events that might need immediate liquidity, which will affect the Company's operational performance and financial position.

## **2-1-15 Risk of Credit Rating**

The Company has not yet applied to get a credit rating, and if it applies for that, there is no assurance that the Company will have a good rating if its risks are higher than the standard limits in the insurance market, which could adversely affect the Company's business.

In addition, as per the cooperative insurance companies control law and its Implementing Regulations, the Company, in case of reinsurance, must select a reinsurer with a minimum of BBB rating from Standard & Poor's ("S&P") or its equivalent rating from a recognized international rating organization. If the re-insurer has a rating less than BBB or equivalent rating, the Company should cease reinsurance arrangements with it, unless the Company obtains written approval from the SAMA to continue with such reinsurance arrangements as per the Implementing Regulations of the Cooperative Insurance Companies Control Law. If the Company could not obtain such approval, it should stop reinsurance arrangements with that less rating reinsurers which will increase the costs incurred by the Company, and expose it to further risks such as inability of the low rating re-insurers to meet their obligations, and accordingly affect the Company's financial condition and results of operations.

## **2-1-16 Drop in Customers' Confidence**

Any impairment or decline in customer confidence in the insurance sector, in general, or in the Company, in particular, due to lower quality of services provided by the Company, for example, will lead to high incidents of insurance policies cancellations and recovery of money, or refrain from underwriting in insurance policies offered by the Company, which would adversely affect the Company's sales of these products, and thus affect the Company's financial situation and results of operations.

## **2-1-17 Risks related to Issuance and Translation of Insurance Policies**

The Company studies the potential risks before issuing insurance policies to applicants by assessment of risks related to the Customers themselves, and studies any concentration of insured risks. The Company considers the nature and essence of the insured risks, obligations and legal consequences associated with the insurance policies and risks related to claims. In addition, it carries out assessment of risks related to any lawsuits, settlements, etc. filed either by or against the client. Poor estimate of risks for issuing insurance policies will cause financial losses to the Company and will adversely affect its performance in the future.

It is also noteworthy that the Arabic translation of some terms of insurance policies offered by the Company to other parties is not accurate in terms of clarifying some terms contained in the policy. This might lead to a dispute between the parties over the interpretation of the meaning of the policy. Courts in the Kingdom of Saudi Arabia relies on the Arabic text in the event of any dispute arises between the Company and its client, which might expose the Company to enter into disputes with clients and would adversely affect its business and financial results.

### **2-1-18 Risks related to Dependence on Brokers and Agents**

The Company relies on brokers and agents as major distributors to market its products (Please refer to Section (12) "Legal Information" - Insurance brokerage agreements), and their share accounted for 27.6% and 24.5% of the total written premiums for the years 2013G and 2014G respectively. (Please see Section (6) "Management's Discussion and Analysis of the Company's Financial Condition and Results of Business - "Results of Operations"). Due to dependence on brokers and agents, any interruption or termination of such arrangements would have a negative significant impact on sales of the Company's products, which would lead to a material adverse effects on the Company's business, financial condition and results of operations.

Dealings with Marsh Brokerage Co. (Saudi Arabia ) in insurance and reinsurance, constituted a large proportion of the total written premiums by insurance brokers, and reached 30% of total premiums written through insurance brokers as of 31/12/2014G. Due to the high volume of dealings with Saudi Arabia Marsh Brokerage Company for Insurance and Reinsurance compared with the rest of insurance brokers of the Company, any interruption or termination of arrangements with Saudi Arabia Marsh Brokerage Company for Insurance and Reinsurance would have significant negative impact on sales of the Company's products, which would lead to substantial adverse effects on the Company's business, financial condition and results of operations.

### **2-1-19 Renewals of Existing Policies**

The Company's insurance policies are generally short-term in nature. If the Company could not renew insurance policies at proper conditions and prices, the Company's written premiums in the coming years and its future results of operations could be materially and adversely affected.

### **2-1-20 Risks related to Non-compliance with Saudization requirements**

The Ministry of Labor has introduced "Nitaqat" program, which has been designed to encourage companies to assign Saudi employees and increase their proportion of the total workforce. According to this program, the Company's compliance with the requirements of Saudization is measured against the percentage of Saudi nationals in the workforce, compared with the average rate of Saudization in the companies operating in the same sector.

The Company has realized a Saudization rate of 47.3% of its total employees as of 31/12/2014G, and has been categorized within the "high green category" of Nitaqat program. However, there is no assurance that the Company will succeed in maintaining Saudization percentage required within the prescribed regulatory levels. The Company may be exposed to penalties in the event of non-compliance with the resolutions issued in this regard, including stop issuing work visas for employees needed for the Company, stop transfer of sponsorship of non-Saudi employees or excluding the Company from participating in the government tenders, which would adversely affect the Company's business and results of operations.

Furthermore Saudization requirements set by the Ministry of Labor, the Company should achieve Saudization rate of 55% by the end of December 31, 2016, according to its business plan submitted to SAMA. Failure to achieve this percentage by the specified date, will expose the Company to sanctions as a result of non-compliance with the required Saudization rate, and the Company does not any background about the types of sanctions that could be imposed by SAMA in such cases.

### **2-1-21 Risks related to non-Saudi Employees**

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

In case the Company does not adhere to the regulating procedures for non-Saudi workers in future, the Ministry of Labour may impose a fine up to (SR 100,000) one hundred thousand Saudi Riyals for each employee working in an irregular manner. Imposition of fines or sanctions on the Company in the event of non-compliance with the applicable regulations and instructions in this regard will adversely affect its business and results of operations.

## 2-1-22 Lack of local qualified staff in the insurance sector

Staff available in the local market may not meet the Company's need of qualified staff. If the Company could not attract qualified staff from the local market, it would recruit staff from outside the Kingdom. There is no assurance that the Company will be able to get a sufficient number of required work visas from the Ministry of Labor in the Kingdom, especially in light of the Saudization requirements, which creates a high competition among insurance companies in the Kingdom to train and qualify their cadres and attract talents from the local market, resulting in an increase in wages that may pose an additional burden on the Company. In addition, lack of the Company's ability to attract and retain qualified employees may lead to obstruct the application of its business strategy, which would negatively affect its results of operations and financial position.

Reference is made to SAMA's circular No. (38639/Meem Ta'/1051) dated 03/08/1430H (corresponding to 25/07/2009G) regarding mandatory requirement to obtain IFCE certificate for some employees of insurance companies. In 2014G, (4) four employees applied to obtain this certificate and (1) one of them has obtained (IFCE) certificate. The rest of employees who are required to obtain this reference, totalling (19) Nineteen Employees, are trying to obtain this certificate, and currently twelve of them are undergoing a special training course for this certificate. Failure to obtain the certificate, would prevent the employees from working with the Company and would lead to a shortage of staff and consequently would affect the Company's business and operating results.

## 2-1-23 Reinsurance Risk

Insurance companies rely on reinsurers (local and international reinsurance companies) in order to mitigate risks of insurance coverage. The Company cedes a portion of its premiums to its Reinsurers in exchange for their agreement to assume a portion of the Company's losses under the policies it writes, but it does not relieve the Company of its primary liability to the policyholders as the direct insurer. In addition, there is a possibility of refrain or failure by the reinsurers to fulfil their obligations, which would adversely affect the Company's business, financial position and cash flows.

In addition, as per the Implementing Regulations, the Company must select a reinsurer with a minimum of BBB rating from Standard & Poor's ("S&P") or its equivalent rating from a recognized international rating organization. If the Company wishes to do business with a reinsurer that has not been rated by any international rating Company nor has a rating less than the minimum requirement mentioned above, the Company should obtain prior written approval from the SAMA. Failure to comply with applicable requirements of Implementing Regulations could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

## 2-1-24 Reinsurance Concentration Risk

The Reinsurance of the Company's insurance portfolio is concentrated with a small number of reinsurance companies which exposes it to risks arising from any faltering in agreements with reinsurers, particularly with Hanover which acquired 56% of the total reinsurance premiums as of 31/12/2014G. There are no guarantees that reinsurers, mentioned in section (4-10) "reinsurance" of this Prospectus, will not be exposed to bankruptcy or insolvency leading to the failure to meet the terms and conditions of contracts signed between the Company and reinsurers, and then would adversely affect the Company's financial position and operational performance.

*Source of funds*

The future capital requirements of the Company depend on many factors, including its ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. The Company may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favourable to the Company. In the case of equity financings, shareholders' equity could be diluted. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

## 2-1-25 Risks relating to Contracts with Third Parties

The Company has entered into cooperation agreements with other third parties, most notably 1) Agreements relating to insurance products. 2) Agreements relating to reinsurance operations. 3) Investment management agreements with Alinma Investment Company. 4) Insurance agency agreement with Alinma Agency for Cooperative Insurance. 5) Internal Audit Services Agreement with Protiviti Middle East. In addition to that, the Company, in the ordinary course of business has concluded distribution agreements with insurance agents and brokers to do sell its products. Moreover, the Company has contracts with some service providers, such as hospitals, clinics and motor workshops, through which it serves its customers and meet their needs.

In this context, the Company depends on the willingness and ability of the mentioned parties in fulfilling their obligations under the terms and conditions of the said agreements. No assurance can be given that the parties will be to the level of the Company's expectations, and any failure or ineffectiveness of service by these parties would adversely affect the Company's financial position, cash flow and operating results and/ or its future prospects.

## 2-1-26 Protection of trade marks

The Company has not registered its name and logo as a trademark with the Department of Trademarks at the Ministry of Commerce and Industry. As such, the Company has not obtained the necessary regulatory protection for its name and logo as per the applicable laws. The Company's competitive position depends in part, on its ability to use its name and logo in marketing campaigns, as well as on regulations that promote its services, programs and products. The non-ability of the Company to prevent its Rights violation in the Kingdom may adversely affect its trademark and increase its operations cost, which would have negative impacts on the Company's business, financial condition and results of operations.

## 2-1-27 Zakat and Income Tax

In accordance with Zakat and Income Tax Department, the Company is subject to the Zakat as for the shareholding percentage of Saudi shareholders and to the income tax as for the shareholding percentage of foreign shareholders. Zakat and income tax are due and respectively added on the list of changes of Saudi and foreign shareholders equities. Any additional due amounts (if any), will be calculated upon completion of assessments and determination of such amounts.

The Company cannot guarantee that Zakat and income tax regulations do not change in the future, and any increase in the income tax percentage would affect the Company's profitability.

The Company cannot guarantee that there is no zakat differences requested by DZIT to be paid, and in case that these differences are high, they will have a negative impact on the Company's business, financial condition and results of operations.

The Company has submitted its Zakat assessments to DZIT for the period from 9 June 2012G to 31 December 2013G, and for the years ended 31 December 2013G and 31 December 2014G. It received a provisional Zakat and Income Tax certificates for the period ended 31 December 2013G and year ended 31 December 2014G. However, DZIT has not issued the final assessments of Zakat due from the Company for the above mentioned years. Imposition of further Zakat and Income Tax obligations on the Company would have a negative impact on its financial condition and results of operations.

## 2-1-28 Risks Related to Accumulated Losses

The Company recorded losses of SAR 29.4 million as at 31 December 2014, which represents 14.7% of its capital, while the total accumulated losses of the Company as at 31 December 2014G reached SAR 111.6 Million, which represent 55.8% of the Company's capital. Total outstanding claims rose from SAR 9.6 million as at 31 December 2013 to SAR 15.7 million as at 31 December 2014G.

There is no assurance that the Company will discontinue to record additional losses, in which case, the Company will be subject to relevant laws and regulations in the Kingdom. Article (148) of the Companies Law, stipulated that Board of Directors should call the Extraordinary General Assembly to convene to consider continuation or dissolution of the Company before the end of its duration if its accumulated losses reached (3/4), three forth of its capital.

It is worth mentioning that CMA's board resolution No. 4-48-2013 dated 15/1/1435H (corresponding to 18/11/2013G) approved procedures and instructions regarding the listed companies which suffered accumulated losses exceeding 50% and less than 75% of their share capital, and in which case they should announce their financial statements on a monthly basis. As the accumulated losses exceeded 50% and less than 75% of its share capital, the Company should announce its financial statements on a monthly basis, effective 16/1/1436H (corresponding to 09/11/2014G), no later than ten days following the end of each month. A yellow flag will appear next to the Company's name on Tadawul system to indicate that situation. Failure of the Company to comply with the required reports, may expose it to accountability and penalty, which will lead to negative impact on the Company's business and results of operations.

In case the Company's losses exceeded 75% and less than 100%, its shares trading would be suspended for one trading session following its announcement on Tadawul website, and should make clearing within two working days for two full fiscal years following that fiscal year in which the accumulated losses of the Company reached 75 % or more of its capital. Also, the Company should develop and announce a plan for adjusting its situation within a period not exceeding 90 calendar days following the announcement. Details of implementation of the plan will be announced on quarterly basis, and the Company shall announce its financial statements on a monthly basis no later than 10 days following the end of each month.

In case the Company's losses exceeded 100% of its capital, its shares trading would be suspended on Tadawul, dealing would be through Security Depository Centre, and clearing would be made within two working days for two full fiscal years under the same conditions of announcing monthly financial statements, developing and announcing the work plan mentioned above for losses of the Company between 75% and 100%.

## **2-1-29 Exchange risks**

Exchange risks are the result of financial investments fluctuations due to the change in foreign exchange. Companies often encounter exchange risks when dealing with international parties in their currency. Company's operations are done in Saudi Riyal, its sales resulting from insurance policies being limited to the Saudi cities. In the event that the Company collects any amounts from its sales or foreign dealings in foreign currency, it may encounter exchange risks and any unexpected major fluctuations in exchange may adversely affect the Company's financial performance.

## **2-1-30 Risk of Changes in Significant Accounting Standards and New Standards:**

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

## **2-1-31 Risks related to Vacant Key Positions**

The Company has several vacant positions including: Head of Support Services, General Manager Business Development , Head of Human Resources, Senior Actuary Manager, Medical and General Insurance Risks Officer and Protection and Savings Insurance Risks Manager which have not been filled until the date of this Prospectus. As for Protection and Savings Insurance Risk Officer and Medical and General Insurance Risks Officer, the Company's success and continuity is associated with the extent of its ongoing ability of risk assessment, management and monitoring. The vacancy of the Head of Human Resources Management position causes delays in processing of human resources and administrative affairs functions in the Company, and other consequences of delays in filling vacant positions in senior management as well as the rest of departments in the Company.

During the period of vacancy, the productivity of the Company will be adversely affected in case of delay in hiring or non-appointment of qualified personnel with the required expertise that candidates should meet to fill these positions. These positions have impact on the Company's ability to implement its drawn strategies and plans. The Company plans to fill the vacancies immediately after the completion of capital increase.

## **2-2 Risks Relating to the Market and Regulatory Environment**

### **2-2-1 Cooperative Insurance Companies Control Law and Implementing Regulations**

Insurance business in Saudi Arabia is subject to Cooperative Insurance Companies Control Law and the Implementing Regulations thereof issued by SAMA, which is the main Saudi government body responsible for regulating the insurance sector and is responsible for policies and regulations, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements.

Therefore, the Company's operations must adhere to the provisions of the Insurance Law and Regulations. These laws, rules and regulations may change from time to time. This evolving regulatory framework may limit the Company's ability to implement its business objectives/plans and respond to market conditions. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's operations.

Under the Cooperative Insurance Companies Control Law and its Implementing Regulations, SAMA has broad powers that include amending, suspending, revoking or not renewing the insurance license or imposing penalties against the Company, if the Company has failed to comply with the Insurance Law and Regulations. Any such action against the Company or affecting the Company or imposition of penalties, could materially and adversely affect the Company's business and financial conditions, prospects or results of operations.

As a listed company, it is also subject to regulations, rules and requirements of CMA. Non-compliance with such regulations, rules and requirements will expose the Company's to sanctions, including fines, suspension of stock trading down to delisting the Company's shares in the financial market. This will materially affect the Company's business, financial position and financial flows.

### **2-2-2 Withdrawal of Insurance License**

The Company has obtained SAMA's license to practice insurance activities under No. TMN /33/20129 on 14/11/1433H (Corresponding to 30/9/2012G), authorized the Company to practice insurance in the Kingdom of Saudi Arabia, in sector of general insurance, health insurance and protection and safety insurance for three year, starting from the date of issuance of the permit.

Article 76 of the Implementing Regulations states that SAMA has the Right to withdraw the license of the Company in the following cases:

- If the Company does not practice its licensed activities for a period of six months from the issuance date of the license.
- If the Company does not fulfill its requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations.
- If it is established that the Company has deliberately provided SAMA with false information in its licensing application.
- If the Company carries out the licensed activities in a manner that exposes the Rights of the Insured, the beneficiary or the Shareholders to the loss.
- If the Company becomes bankrupt.
- If the Company deliberately conducts business in a fraudulent manner.
- If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfil the solvency requirements under Article 68 of the Implementing Regulations.
- If the business or volume of the Company's activities in the classes of insurance falls to a limit that SAMA deems unviable for the Company to operate under.
- If the Company refuses or delays payments, due to beneficiaries, without just causes.
- If the Company refuses to be examined or to produce its accounts, records, or files for examination by the inspection team appointed by SAMA, and
- If the Company fails to execute a final judgment against it in connection with any insurance dispute.

The Company does not guarantee non-occurrence of any failure or non-compliance by it, which may lead to non-renewal or withdrawal of license. Should the license be withdrawn, the Company will not be able to continue to conduct its business legally in Saudi Arabia, which would adversely affect its business, continuity, financial position or results of operations, and shareholders might then lose all or part of their investments in the Company.

### **2-2-3 Reporting Requirements**

The Insurance Regulations require the Company to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership, financial condition on an annual basis. The Company could be subject to regulatory actions, sanctions and fines if SAMA believes that the Company has failed to comply with any applicable law or regulation.

Any such failure to comply with applicable laws could result in the imposition of significant restrictions on the Company's ability to do business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

### **2-2-4 Solvency Requirements**

According to Articles 66, 67 and 68 of the Implementing Regulations, the Company has to maintain certain solvency levels for different classes of businesses. The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold, regulations specifying the statutory reserve, as well as insurance and reinsurance costs. In case the Company could not realize rapid growth and increase the solvency margin, it might need to carry out a series of remedial actions imposed by SAMA to rectify its situation, including the following:

1. Increase Company's share capital.
2. Amend product prices.
3. Decrease costs.
4. Stop underwriting new policies.
5. Liquidate certain assets.
6. Any other action deemed appropriate to the Company and approved by SAMA.

SAMA may periodically request additions or amendments to the solvency requirements, which may adversely affect the Company's operations results and financial position through retaining additional allocations. In case of Company's failure to satisfy the solvency requirements within timeframe set by SAMA and after taking aforementioned actions SAMA may solicit the appointment of a financial advisor to restructure the Company or otherwise withdraw the license.

The solvency margin (net realizable assets based on the minimum required solvency margin divided by the required margin of solvency) reached 285% as of 31/12/2014G.

## **2-2-5 Restriction on ownership of Insurance Companies**

Cooperative Insurance Companies Control Law places certain restrictions on owning shares in insurance companies. According to Article 9 of the Cooperative Insurance Companies Control Law, Articles 9 of the Insurance Law and Article 38 of the 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 of the implementing regulation, the Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company through a quarterly report, and the person himself shall notify SAMA in writing of his percentage ownership and any changes thereof within 5 working days of the date of occurrence of such an event.

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 and financial condition.

## **2-2-6 Compliance with Council of Cooperative Health Insurance Regulations**

After being approved by SAMA, the medical insurance products offered by the Company are subject to control by the Council of Cooperative Health Insurance (the "CCHI"). The CCHI regulations require the Company to comply with the regulations for offering of medical products including provision of specialized medical staff to process the approvals within time ceiling not exceeding 60 minutes. These regulations also direct the insurance companies to pay the medical service providers as hospitals and clinics within the timeframe not exceeding 60 days.

Currently, the Company does not have health insurance products to market and sell to its customers. The Company has obtained SAMA's approval for some health insurance products, and it is referring to CCHI to obtain necessary licenses. However, when it begins to market and sell medical insurance products, and in case of non-compliance with regulations and rules of CCHI, it will be subject to accountability, fines or possibly withdrawal of license qualifying it to provide medical services products, which in turn will materially affect the Company's business and financial condition.

## **2-2-7 Obtaining Approvals for launching new Products**

The Company shall obtain prior approval of SAMA before launching new products. Currently, the Company has final approval for five insurance products, conditional final approvals for five insurance and other saving products and temporary approvals on eighteen other insurance products.

Any delay in obtaining the final approval on any of the new products or in the renewal of current products approvals may adversely affect the Company's operations and financial condition. "Please refer to section (4) "the Company and its Nature of Business", Tables (4-1) Licenses and Approvals.

## **2-2-8 Lack of Cultural Awareness about Insurance and its Importance**

There are risks of society's perception about insurance sector in general, as it sees that the sector as either not playing a key role or operating under scope of services non-compliant with provisions of Islamic Principles (Shari'ah). Society may lose confidence in the sector and this may adversely affect the Company's business, financial position and operating results.

## **2-2-9 Limited historical data on the Saudi Insurance Market**

Although the Saudi market is not new to the concept of insurance, it was not organized until the last ten years. So, the required information and historical data to accurately build insurance programs have not been collected. Therefore, insurance companies depended, upon estimation of losses and assessment of premiums, on estimates not to the required level of precision, and accordingly the rate of risks for insurance portfolios might increase, resulting in losses to the Company, which will have negative impact on the Company's business, financial condition, and results of operations.

## **2-2-10 Economic, Political and Industry Conditions**

The financial performance of insurance companies depends significantly on economic and political conditions in Saudi Arabia and on global economic and political conditions that affect the economy of Saudi Arabia. Changes in the economic and political conditions can affect the financial results of insurers through their effect on market conditions and investment income and through changes in consumer demand for insurance products and services. 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 impact the industry's profitability. The Company cannot predict the impact that future economic, political or legal conditions in KSA or neighbouring countries leading to a material adverse impact on the Company's prospects, results of operations, financial position and fluctuations in shares prices. The Company could not predict any future impacts resulting from changes in economic, political or industry conditions on its business. Future economic and industry conditions may be unfavourable, and as a result there can be no assurance that future conditions will not materially adversely affect the Company's profitability and returns.

## 2-2-11 Market growth

The Company cannot guarantee that the current growth rates in the Kingdom will remain at the same levels, or will increase in the future. The impact on the Saudi Arabian insurance industry of certain trends and events, such as the pace of economic growth in the Kingdom of Saudi Arabia and ongoing reform of the social welfare system is generally prospective and is currently not clear. Consequently, the growth and development of the Saudi Arabian insurance market is subject to a number of uncertainties that are beyond the control of the Company.

## 2-2-12 Risks related to Insurance Business

Error in calculation of net risks to which the Company is exposed could have a material adverse impact on its financial position and results of operations. There are also risks of the Company's inability to obtain reinsurance services in the market in the future. The insolvency, inability or unwillingness of any of the reinsurers with whom the Company is currently dealing or with whom it will have contracts in future, to settle due payments in a timely manner or their failure to comply with the provisions of the reinsurance agreements concluded with them, will adversely affect the Company's position.

## 2-2-13 Competition

In accordance with the latest information from SAMA, the number of licensed insurance companies has reached 35 and they are in severe competition to increase their market share. The Company is likely to find itself operating in an increasingly competitive environment, which could adversely impact its operating margins.

Competition in the insurance industry is based on many factors, including premiums charged, terms and conditions of coverage, services provided, financial ratings assigned by independent rating agencies, claims services, reputation, perceived financial strength and the experience of the insurance Company. The Health Insurance Council has initiated an integrated regulation for medical insurance which all operating insurance companies are required to comply with. This is likely to increase competition in the medical insurance sector and this may adversely affect the profit margins. There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- Reducing Market Share
- Reducing Margins and Spreads
- Hindering the Growth of the Company's Customer Base
- Increasing Turnover of Management and Sales Personnel
- Elevating Operating Expenses, such as Sales and Marketing Expenses
- Increasing Policy Acquisition costs

## 2-3 Risks Relating to the Shares

### 2-3-1 Potential Fluctuations 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's trends in connection with the Rights or the Company's existing Shares.

These fluctuations may also result from several factors including, without limitation, 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 and sale of shares in the subsidiaries, 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 subscribed for the New Shares, such subscription may not be cancelled 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 subscribing for them.

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 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 authorized limits of price change for trading in the Rights, as compared to the authorized limits of price change for trading in the Shares (10% more or less). 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.

Based on the foregoing, speculation in the priority Rights are subject to risks that may cause substantial losses. In case the speculator does not sell the priority Rights existing before the end of the trading period of such Rights, will be forced to use these Rights to exercise the subscription of New Shares, and he might incur some losses. Accordingly, investors should be aware of the full details of the Rights listing and trading mechanism, and how it works, and should be familiar of all factors affecting them to ensure that any investment decision will be based on full awareness and understanding.

### **2-3-3 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 through subscription to the Rights, through the Rump Offering or through the open market.

### **2-3-4 Potential 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.

### **2-3-5 Failure to Exercise the Rights in a Timely Manner**

The subscription period will start on the Tuesday 26/10/1436H (corresponding to 11/8/2015G) and end on the Day Tuesday 10/11/1436H (corresponding to 25/8/2015G). 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 (See Section 16 "Subscription Terms and Instructions").

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 exercise properly underwriting procedures.

### **2-3-6 Risk of Effective Control by Major Shareholders**

Both Alinma Bank and Tokio Marine and Nichido Fire Insurance Company Ltd. own 28.75% of the Company's share capital. Acting together may make the two major shareholders obtain a majority in the Shareholders General Assembly and as such they will influence the Company's important decisions, particularly, decisions that require the approval of the Company's shareholders, including large expenses, appointment and removal of Directors (except as stated in Article 69 and Article 70 of the Companies Law and Article 18 of Corporate Governance Regulations). They may use their influence on important decisions in a manner that would have significant effect on the Company's business, financial condition, and results of operations.

### **2-3-7 Dividends Distribution**

Future dividends will depend on, amongst other things, the Company's future profitability, good financial position, capital requirements, distributable reserves, credit capability, and general economic conditions. Increase of the Company's share capital may lead to decrease of share profitability in future, due to the fact that dividends will be paid to a larger number of shares as a result of share capital increase.

The Company gives no assurance that any dividends will actually be paid, nor any assurance as to the amount of any dividends that may be paid in any given year in the future. The distribution of dividends is subject to certain limitations and conditions as further set out in the Company's By-Laws (see "Summary of Company's By-Laws" section), and also the approval of SAMA.

### **2-3-8 Expiry of Lock-up Period**

Founding Shareholders whose aggregate shareholding is 70% of the Company's total shares are subject to a lock-up period during which their shares would not be traded a period of 3 full fiscal years elapsing on 31 December 2015G. After the elapse of lock-up period, the founding shareholders have the Right to dispose their shares after obtaining SAMA and CMA approvals. Therefore, selling or buying more shares by the founding shareholders would affect the Company's share price.

### **2-3-9 Risks Relating to Future Statements**

Certain Statements contained in this Prospectus constitute future Statements, but they are not a guarantee of how the future performance will be, and they involve known and unknown risks and other factors that might affect the Company's actual results, and consequently affect the Company's performance and achievements. There are several factors that may affect the actual performance, achievements and results achieved by the Company, and make them materially different from what has explicitly or implicitly expected in such statements.

If one or more of these risks or uncertainties occur, or any of the assumptions are incorrect, the actual results may be materially different from the results mentioned in this Prospectus.

### **2-3-10 Potential Issuance of New Shares in the Future**

The Company currently has no future plans for an offering of New Shares. However, the Company may decide in future to offer additional shares to raise its capital, and if the current shareholders do not exercise their Rights upon issuance of new priority Rights, their proportionate ownership and voting interests in the Company would be reduced. An additional offering, could have a material adverse effect on the market price of shares.

### **2-3-11 Non-exercise of Rights by Major Shareholders**

If the major shareholders do not subscribe to their full Rights to obtain New Shares in the Offering, the ownership and voting Rights pertaining thereto and their representation on the Board of Directors will decrease. The return they receive will decrease due to the decrease in their ownership percentage after the capital increase. The decrease in the major shareholders' voting Rights will be reflected in their support, the extent of their influence and effectiveness, and their control in making significant decisions for the Company, which will have a substantial effect on the Company's decisions and financial position.

### **2-3-12 Absence of Prior Market for the Rights**

Rights Issue is a new market for investors on Tadawul system, and as such, many investors may not know a lot about the mechanism of trading in Rights. This will adversely affect their willingness to invest and trade in Rights, and 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 case of no compensations distributed to them, when Institutional Subscribers do not offer a higher prices for the Rump Shares.

## 3. Market Overview and Insurance Sector

### 3-1 Sources of Information

The information and data contained in this Prospectus regarding insurance industry and market have been obtained from different sources available to the public and believed to be reliable. While neither the Company nor any of its advisors have any reason to believe that any of the information mentioned in this section is materially inaccurate, such information has not been independently verified and no representation can be made with respect to its accuracy or completeness. Sources of information regarding insurance sector include:

- a. The Company's estimates and expectations.
- b. Data and analysis related to insurance industry and economy obtained from third parties sources, and are available to the public and can be obtained via the Internet, and therefore written consent to use this information in the Prospectus has not been sought. They include the following sources:

- **Annual Report of SAMA for the fiscal year 2013G**

SAMA was established in (1952). The main Functions of SAMA include:

- issuing national currency (Saudi Riyal).
- acting as a banker to the Government.
- supervising and monitoring the work of commercial banks insurance and reinsurance companies and service providers.
- managing the Kingdom's foreign currency reserves.
- conducting monetary policy to promote price and exchange rate stability.
- promoting growth and ensuring the soundness of the financial system.

"The annual report of SAMA for the fiscal year 2013G" has been used in this Prospectus. It is obtainable from internet and therefore no consent has been pursued to use such information.

- **Central Department of Statistics and Information**

Central Department of Statistics and Information (CDSI) was established as per the General Statistics Regulation of the Kingdom promulgated by Royal Decree No. (23), dated 07/12/1379H, under the Ministry of Economy and Planning. It is considered as the only official reference of statistics in the Kingdom of Saudi Arabia and it is responsible to provide governmental departments, public and private institutions and individuals with information and statistical data.

- **Swiss Reinsurance Company ("Swiss Re")**

Swiss Re is a leading company in the field of reinsurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than twenty five (25) countries and publishes a range of reports on insurance markets worldwide. The information obtained from Swiss Re as used in this Prospectus is publicly available and can be obtained via the internet and therefore written consent to use their reports in the Prospectus has not been sought.

### 3-2 Saudi Economy at a glance

Saudi Arabia's economy is among the world's largest economies and ranked at 20 by Global Insight, which adds to the relative importance of the Kingdom, which sits on the throne of oil export. It is likely that the Saudi GDP will continue to grow during the current period, for realistic reasons, including the ability to boost oil production, increase the contribution of the non-oil sectors, and maintain high level of government spending.

As per the Central Department of Statistics and Information, nominal GDP size (i.e. at market prices) reached about SAR 2,554 billion in 2013G. On this basis, the size of the Saudi economy is more than its counterparts in a number of European countries such as Sweden, Poland, Belgium, Norway and Austria.

The Saudi GDP is the biggest among the Arab Countries, and that explains the membership of the Kingdom in the Group of Twenty, which includes the world's largest economies.

Saudi Arabia's economy is also the largest economy in the Middle East, and accounts for 24% of GDP of GCC. According to the forecasts of Global Insight, the Saudi Arabia's GDP contribution in GDP of the Region will remain stable at about 24% during the rest of this decade.

In the same context, the contribution of the Saudi economy in the Gross Domestic Product of the GCC countries is the biggest and estimated by about 49% in 2011G, according to International Monetary Fund statistics. It is expected that this ratio remain stable through the rest of this decade.

Since 2009, GDP of the Kingdom has witnessed a significant growth at a compounding annual growth rate (CAGR) of 6.4% between 2009 to 2013G, (as opposed to a CAGR of 3.9% in Middle East and North Africa).

**Table (3-1): Major economic indicators of the Kingdom of Saudi Arabia**

Details	2010G	2011G	2012G	2013G	2014G	2015G	2016G	2017	2018
Nominal GDP (SAR Billions)	1,691	2,163	2,356	2,554	2,772	2,986	3,212	3,396	3,957
Per capita nominal GDP (SAR)	61,591	77,031	82,091	87,103	92,604	97,784	103,137	106,93	125,951
CPI (change %)	5.36%	4.98%	4.71%	5.08%	4.74%	4.46%	3.89%	3.38%	3.30%
Exchange rate (SAR/ US \$)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Short-term interest rate	0.74%	0.69%	0.83%	0.81%	0.91%	2.37%	5.54%	5.97%	6.05%

Source: Central Department of Statistics and Information

Nominal GDP of the Kingdom of Saudi Arabia is expected to continue to grow annually at a rate of 7% during the period from 2012G to 2018G. It is also expected that per capita nominal GDP to grow in a stable manner at rates ranging between 5% and 6% during the same period.

It is expected that GDP of the Kingdom will grow over the coming years despite the volatility in oil prices and production. This is due to the potential positive effects of new mega-projects and economic reforms implemented by the Government, through its policy to increase annual spending regardless of possible deficit.

Economic diversity, away from the oil sector, is the main driver for long-term economic growth in the Kingdom, with continuation of privatization program as one of the important strategies of the Saudi government in an effort to reduce dependence on the oil sector. It is worth mentioning that the oil and gas sector contributed to about 44.7% of the GDP of the Kingdom during 2013G.

With regard to the general budget of the Kingdom, and as per the Ministry of Finance reports figures, as in 2013G, the following table show comparisons of revenues and expenditures in the Kingdom's budget for the period 2010G to 2014G.

**Table (3-2): Comparison of Revenues and Expenditures in the Kingdom's budget**

(SAR Mil- lion)	2010G			2011G			2012G			2013G			2014G
	Estimated	Actual	Difference %	Estimated									
Revenues	470	735	56.40%	540	1.11	105.50%	702	1.24	76.60%	829	1.131	36.40%	855
Expenses	540	626	15.90%	580	804	38.60%	690	853	23.60%	820	925	12.80%	855
Surplus/ Deficit	-70	109	-	-40	306	-	12	387	-	9	206	-	0

Source: Saudi Arabian Monetary Agency (SAMA) and Ministry of Finance.

Saudi Arabia seeks to improve the investment environment and attract more investment as established in the Ninth Development Plan, which is considered to be the second cycle in the current long-term strategy of the Kingdom's Economy, with a timeframe covering the next fifteen years.

### 3-3 Demographic situation

CDSI's data indicates that total population of Saudi Arabia reached about 29.99 million in 2013G compared to 23.21 million in 2004G. It is expected that the total population of the Kingdom will grow up to 31.75 million by 2017G.

Kingdom's population is predominantly young people, as 60% of the population ages are in thirties or youth segment (15-39 years old). According to estimates by market reports and studies, it is expected that the number of the Kingdom's population will be increasing at a compounded annual growth rate of up to 2.07% during the years from 2012-2017G. The following table shows a summary of the preliminary results of the Kingdom's population census as follows:

**Table (3-3): Summary of Results of population censuses in Saudi Arabia**

Nationality and Gender	2009G	2010G	2011G	2012G	2013G	2013G %
Saudis						
Males	9,307,550	9,525,178	9,882,698	9,962,431	10,255,752	34.19%
Females	9,235,696	9,448,437	9,522,987	9,876,017	10,015,306	33.39%
<b>Total</b>	<b>18,543,246</b>	<b>18,973,615</b>	<b>19,405,685</b>	<b>19,838,448</b>	<b>20,271,058</b>	<b>67.58%</b>
Non-Saudis						

Nationality and Gender	2009G	2010G	2011G	2012G	2013G	2013G %
Males	5,706,050	6,052,837	6,313,942	6,591,296	6,843,611	22.82%
Females	2,411,561	2,536,980	2,656,728	2,766,151	2,879,603	9.60%
<b>Total</b>	<b>8,117,611</b>	<b>8,589,817</b>	<b>8,970,670</b>	<b>9,357,447</b>	<b>9,723,214</b>	<b>32.42%</b>
Total						
Males	15,013,600	15,460,147	16,041,361	16,543,836	17,099,363	57.01%
Females	11,647,257	11,646,830	12,334,994	12,652,059	12,894,909	42.99%
<b>Total</b>	<b>26,660,857</b>	<b>27,136,977</b>	<b>28,376,355</b>	<b>29,195,895</b>	<b>29,994,272</b>	<b>100%</b>

Source: Central Department of Statistics and Information- Ministry of Economy and Planning.

### 3-4 Global Insurance Markets

The insurance sector (except for life) in global markets remained stable for the year 2013G, at a growth rate of 2.5%, without real material change, due to overall global economic slowdown. As for emerging markets, the premiums (except for life insurance) grew by 7.8% in 2013G in many countries of Central and Eastern Europe and the countries of Southeast Asia due to their dependence on exports and thus vulnerable to further slowdown in the global economy. Despite that, insurance premiums (except for life) have increased at a rate of 13% due to higher car sales and infrastructure projects.

### 3-5 Middle Eastern & North African (MENA) Insurance Market Overview

Although the insurance sector witnessed strong growth rates during the past five years, the region still has a long way to go before becoming a mature insurance sector. Proof of this is low penetration rates and density rates (Gross Written Premiums divided by total population), and low capitalization rates (Capitalization generally refers to investment in this sector).

Compared to developed world economies, the legislative regulations of insurance sector are poor in the Region. It is expected during the coming period that economies of the countries in the region, and their governments will endeavour to develop legislative regulations and increase investments which will have positive impacts on the insurance sector. Insurance sectors in the region falls into two categories:

- First category: characterized by a small number of companies that monopolize the sector under previous regulatory framework.
- The second category: characterized by a large number of companies compared to the size of opportunities in the sector and they are considered small companies as per global standards. With the increasing number of insurance companies, the Saudi insurance sector is living a phase of shifting from the first category to the second category.

**Table (3-4): Gross Written Premiums for MENA**

State	2012G	2013G	Annual Increase %	% Global Market (2013G)
	Gross Written Premiums (SR Million)	Gross Written Premiums (SR Million)		
Algeria	5,172	5,401	4.43%	0.03%
Bahrain	2,385	2,580	8.18%	0.01%
Egypt	7,610	6,980	-8.28%	0.04%
Jordan	2,464	2,573	4.42%	0.01%
Kuwait	3,390	3,570	5.31%	0.02%
Lebanon	4,906	5,532	12.76%	0.03%
Morocco	11,316	11,927	5.40%	0.07%
Nigeria	6,158	6,987	13.46%	0.04%
Oman	3,214	3,551	10.49%	0.02%
Qatar	5,021	5,516	9.86%	0.03%
KSA	21,176	21,855	3.21%	0.14%
South Africa	203,914	203,999	0.04%	1.17%
Tunisia	3,041	3,113	2.37%	0.02%

State	2012G	2013G	Annual Increase %	% Global Market (2013G)
	Gross Written Premiums (SR Million)	Gross Written Premiums (SR Million)		
U.A.E	26,835	29,851	11.24%	0.17%

Source: Swiss Re

### 3-6 Insurance Market in the Kingdom of Saudi Arabia

The insurance market in Saudi Arabia is relatively recent, as insurance industry used to cover only oil sectors in the seventies of the last century. Insurance sector faced many difficulties due to the absence of the regulatory laws. There were more than 100 companies registered as foreign entities operating from abroad as international insurance brokers or agents for private insurance companies, for the purpose of providing insurance services in the Kingdom. These companies were registered in Bahrain due to its geographical proximity to the Kingdom. In the absence of a regulatory framework, the insurance policyholders used to suffer from lack of official agency responsible for protection of consumers interests from fraudulent or illegal acts. This paved the way for later reforms and restructuring of the insurance sector in the Kingdom, where resolution No. 51 dated 04/04/1397H (23/03/1977G) issued by Council of Senior Scholars in Saudi Arabia, considering that Cooperative Insurance as a model of donation and therefore it is acceptable in Islamic law. In 1406H (corresponding to 1986G), the government established the National Company for Cooperative Insurance "NCCI" as the first cooperative insurance company, in order to cover local insurance needs and to meet the government ambition to have all insurance activities in the public sector under its regulatory control.

Domestic insurance sector witnessed a transitional period where existing companies that have not applied for a license have to obtain licenses in accordance with the Cooperative Insurance Companies Law (2003G) or else exit the market, within the grace period having ended on 9th April 2008G. SAMA has allowed the companies whose files already been studied or those who already obtained Royal Decrees and not yet been incorporated to renew their existing clients' policies up to 17th February 2010G.

Structural reforms carried out by the government had led to the growth of insurance sector at high rates in the past few years. Insurance industry has grown from about SAR 10.8 billion in 2008G to about SAR 25 billion in 2013G, with a Compound Annual Growth Rate of 18%.

### 3-7 Cooperative Insurance Companies Control Law and Implementing Regulations

SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance and reinsurance sector in accordance with the Cooperative Insurance Companies Control Law which was issued by Royal Decree number M/32 dated 02/06/1424H (corresponding to 31/7/2003G) which set the stage for the legal framework and supervision of the insurance sector. Subsequently, Implementing Regulations were issued by Ministerial Decree No. 1/596 dated 1/3/1425H (corresponding to 20/4/2004G) to govern the insurance business in Saudi Arabia. Some of the salient features of 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 insurer/reinsurer must be a joint stock company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).
- Gross written premiums should not exceed ten times the amount of the paid up capital of the 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 balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

### 3-8 Gross Written Premiums in the Kingdom

The gross written premiums had increased by SAR 5.24 billion reaching SAR 30.48 billion in 2014G compared to SAR 25.24 billion in 2013G with a growth rate of 20.8%. Health insurance premiums ranked at the first place as the biggest insurance activity in 2014G. Health insurance is mandatory to all expatriates and citizens working in the private sector and its contribution to the total gross written premiums reached 51% in 2014G. Power Insurance contribution (which was the smallest volume of insurance activity) to the gross written premiums slightly decreased to 0.6% in 2014G, compared to 0.5% in 2013G. Motor insurance increased to 26.3% compared to 25.2% in 2013G of gross written premiums.

Figure (3-5): Gross written premiums by line of business

Line of Business	2010G		2011G		2012G		2013G		2014G		Change % 12-13
	Total Premiums (SAR Million)	% Total									
Health	8.69	53%	9,708	52.50%	11,285	52.50%	12,895,0	51.10%	15720	51.6%	21.9%
Motor	3,239	20%	3,922	21.20%	4,689	21.20%	6,354,7	25.20%	8026	26.3%	26.3%
Property and Fire	959	6%	1,157	6.30%	1,348	6.30%	1,664,5	6.60%	1923	6.3%	15.5%
Accident and Liabilities and Other	507	3%	632	3.40%	691	3.40%	940.8	3.70%	1079	3.5%	14.7%
Engineering	869	5%	913	4.90%	1,077	4.90%	1,199,7	4.80%	1434	4.7%	19.5%
Marine	518	3%	634	3.40%	743	3.40%	740,3	2.90%	811	2.7%	9.6%
Protection and Saving	972	6%	905	4.90%	889	4.90%	844,5	3.30%	904	3.0%	7.1%
Energy	329	2%	361	2%	385	2%	456	1.80%	443	1.5%	(2.9%)
Aviation	304	2%	272	1.50%	67	1.50%	144	0.60%	140	0.5%	(2.6%)
<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>25,239,4</b>	<b>100%</b>	<b>30.482</b>	<b>100%</b>	<b>20.8%</b>

Source: Saudi Insurance Market Report (2014G) issued by SAMA

### 3-9 Insurance Market Penetration

Insurance penetration is defined as Gross Written Premiums divided by the total GDP. Over the past five years, insurance penetration has been increasing at a compounded annual growth rate (CAGR) of 3%. In 2014G, insurance penetration increased to 1.08%, up from 0.9% in 2013G. Non-oil insurance penetration is defined as Gross Written Premiums divided by the total non-oil GDP. Insurance penetration of non-oil GDP increased to 1.9% in 2014G compared to 1.72% in 2013G. Average annual growth of insurance penetration of non-oil GDP ratio stood at 2% during the period between 2010G and 2014G.

Table (3-6): Insurance Penetration of GDP

Line of Business	2010G	2011G	2012G	2013G	2014G	Change % 13-14
Total General Insurance	0.40%	0.36%	0.33%	0.41%	0.49%	19.3%
Total Health Insurance	0.51%	0.45%	0.41%	0.46%	0.56%	20.7%
Total P&S Insurance	0.06%	0.04%	0.03%	0.03%	0.03%	6.1%
<b>Total</b>	<b>0.97%</b>	<b>0.82%</b>	<b>0.78%</b>	<b>0.90%</b>	<b>1.08%</b>	<b>19.6%</b>

Source: The Saudi Insurance Market Report (2014G) issued by SAMA

### 3-10 Insurance Density

Insurance density is defined as average expenditure of individual on insurance (Gross Written Premiums per Capita). Insurance density increased from SAR 864 per Capita in 2013G to SAR 991 per capita in 2014G, which represents a 14.6% increase. Expenditures per Capita on insurance products have increased by an average annual rate of 13% between 2010G and 2014G.

**Table (3-7): Insurance intensity of GDP (2010G-2014G)**

Line of Business	2010G	2011G	2012G	2013G	2014G	Change % 13-14
	SAR Million					
Total General Insurance	248	291	308	394	450	14.2%
Total Health Insurance	320	358	387	442	511	(5.7%)
Total P&S Insurance	36	33	30	29	29	-
<b>Total</b>	<b>604</b>	<b>682</b>	<b>725</b>	<b>864</b>	<b>991</b>	<b>19.2%</b>

Source: The Saudi Insurance Market Report (2014G) issued by SAMA

### 3-11 Competition

Currently insurance market witnesses vital changes with a significant increase in the pace of competition, as insurance companies have obtained licenses to work in the Kingdom. With the entry of new firms into the market, it is expected that each company will provide advanced new products to increase market share. Offering new products in the Saudi market, such as credit insurance, mortgage insurance, and recoverable and adjustable life insurance, will raise the diversity and quality of products on the market. The number insurance companies listed in Tadawul reached 35 as of the date of this Prospectus, as follows:

1. National Company for Cooperative Insurance ("Tawuniya")
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
3. Malath Cooperative Insurance & Reinsurance Company
4. Al-Ahlia Cooperative Insurance Company
5. Al Ahli Cooperative Insurance Company
6. SABB Takaful Company
7. Arabian Shield Cooperative Insurance Company
8. Saudi IAIC for Cooperative Insurance ("SALAMA")
9. Gulf Union Cooperative Insurance Company
10. Saudi Fransi Cooperative Insurance Company ("Allianz SF")
11. Sanad Insurance & Reinsurance Cooperative Company ("SANAD")
12. Trade Union Cooperative Insurance Company
13. Al Sagr Company for Cooperative Insurance
14. Saudi Indian Company for Cooperative Insurance (Wafa for Insurance)
15. Arabia Insurance Cooperative Company
16. Saudi United Cooperative Insurance
17. BUPA Arabia for Cooperative Insurance
18. Saudi Re for Cooperative Reinsurance Company
19. United Cooperative Assurance
20. Saudi Arabian Cooperative Insurance Co. (SAICO)
21. Allied Cooperative Insurance Group ("ACIG")
22. Wiqaya Takaful Insurance & Reinsurance Company
23. Al Rajhi Company for Cooperative Insurance
24. AXA Cooperative Insurance Company
25. Ace Arabia Cooperative Insurance Company
26. Buruj Cooperative Insurance Company
27. Al Alamiya for Cooperative Insurance
28. Gulf General Insurance Company
29. Solidarity Saudi Takaful Company
30. Wataniya Insurance Company
31. Amana Cooperative Insurance Co.
32. Saudi Enaya Insurance Co.
33. Tokyo Marine Saudi Arabia
34. Jazira Takaful Cooperation Co.
35. MetLife AIG ANB Cooperative Insurance Company

### 3-12 Distribution of Market Share of Insurance Companies

It is noted in the insurance market in the Kingdom that most insurance companies lack pricing capability for its products, as the prices of their products should be in line with prices of the big companies controlling the market. There are three major companies acquiring 51.2% of gross written premiums, while the remaining percentage of 48.8 % is distributed among the rest of the companies. The following table shows the market shares of insurance companies of gross written premiums:

**Table (3-8): Market shares of insurance companies in Saudi Arabia for the years 2011G to 2013G:**

COMPANY	GROSS WRITTEN PREMIUMS		MARKET SHARE	
	2012G (SAR Million)	2013G (SAR Million)	2012G (%)	2013G (%)
TAWUNIYA	5.635	5.605	%26.6	22.2%
MEDGULF	3.318	4.138	%15.7	16.4%
BPA	2.194	3.177	%10.4	12.6%
UCA	1.024	1.293	%4.8	5.6%
TRADE UNION	561	877	%2.6	3.5%
AXA	460	776	%2.2	3.1%
MALATH	558	771	%2.6	3.1%
ALIAN	621	746	%2.9	3.0%
OTHER INSURANCE COMPANIES	6.803	7.856	%32.1	31.1%

Source: Saudi insurance market report 2013G, issued by SAMA

### 3-13 Future Prospects of Insurance Market

The insurance sector is expected to grow significantly in the coming period, as a result of the application of new insurance regulations, and due to changes in the general macro-economic factors as well as in the new government policies. The Company believes that these developments are expected to cover the following areas:

- The work environments in licensed companies would be more transparent as they are joint-stock companies and operate under the SAMA, which is efficient in organization of the banking sector and accordingly the insurance sector.
- Currently, there is no active market for conventional protection and savings insurance, and it is expected the sales of this product will increase in coincide with the increasing awareness among consumers.
- Competition in the health insurance and motor insurance, will lead the insurance companies to develop their products and create new products, such as conventional protection and savings insurance and Takaful insurance, whereas the new and existing companies would like to secure a share in the insurance market.
- Development of the business sector and its increasing needs will lead to the existence of new insurance products to serve these needs.
- Enforcement of Mandatory health insurance for expatriates will lead to continued increase in the customer base.
- Increased competition in the insurance market could lead to lower insurance premium rates and thus lower Company profits. Under such changes, mergers between insurance companies or exit from the market are likely to occur before investments mature and result in significant returns.
- Saudi market will be attractive to many insurance companies, despite the fact that SAMA data, with respect to capitalization of companies under incorporation, indicates that most of them will not get a large share of the Saudi market.
- Imposition of the statutory reserve will increase the financial performance of the companies.

## 4. The Company and Nature of its Businesses

### 4-1 Company Profile

Alinma Tokio Marine Company is a Saudi Joint Stock Company incorporated as per the Royal Decree No. (M/25) dated 3/5/1430H (corresponding to 28/4/2009G) and the Ministerial Resolution No. (140) dated 2/5/1430H (corresponding to 27/04/ 2009G) and CR No. (1010342527) dated 28/7/1433H (corresponding to 18/06/2012G) with head office at (King Fahd Road, Al Anoud Tower 2/ Floor 21) (It is worth mentioning that the Company's Commercial Registration (CR) is still maintaining the previous Company address in Riyadh, Olaya Road, Al-Mousa Centre, 5th Floor. The Company is presently in process of issuing the updated CR from the Ministry of Commerce & Industry according to the current address). The Company has been licensed to conduct insurance business under a license issued from the Saudi Arabian Monetary Agency (SAMA) No. (T.M.N /33/20129) dated 15/11/1433H (corresponding to 1/10/2012). The Company exercises activities in line with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and other applicable laws and regulations in the Kingdom of Saudi Arabia under the supervision of SAMA and in compliance with Shariah Law. SAMA is the official authority responsible for the enforcement and supervision over the Cooperative Insurance Companies Control Law & its Implementing Regulations. The Company practices its activities within Saudi Arabia via its licensed branches, in addition to a number of points of sale distributed across most cities and regions of the Kingdom of Saudi Arabia.

The Company's current Share Capital is two hundred million Saudi Riyals (SAR 200,000,000) consisting of twenty million (20,000,000) shares of nominal value of SAR10 each.

The Company's Board of Directors in its meeting held on 2/1/1436H (corresponding to 26/10/2014) submitted recommendation to the Extraordinary General Assembly for increasing the Company's capital from SAR 200,000,000 to SAR 450,000,000 through Rights Issue in order to reach & maintain the required solvency margin. Final approval of SAMA has also been obtained by the Company pursuant to letter No. 361000042979 dated 17/03/1436H (corresponding to 08/01/2015G) for a capital increase of two hundred fifty million Saudi Riyals (SAR 250,000,000) through a Rights Issue of twenty five million (25,000,000) shares of SAR 10 each. As such, the Company's capital will total (SAR 450,000,000) four hundred fifty million Saudi Riyals divided into (45,000,000) forty five million shares of a nominal value of SAR 10 each. On 19/10/1436H (corresponding to 4/8/2015G), the Extraordinary General Assembly adopted the Board of Directors' recommendation for increasing the Company capital.

### 4-2 Company Activity:

Pursuant to Article (3) of the Company's Bylaw, the licensed objectives of Company have been set as follows:

"In accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and other applicable laws and regulations in Saudi Arabia, the Company practices the cooperative insurance businesses and all related businesses including reinsurance, agencies, representation, correspondence or brokerage as well as conducting all necessary businesses for achieving its objectives whether in the area of insurance or investment of its funds. The Company may also own or move fixed or cash properties or sell, replace or lease the same whether directly by itself or through firms that it establishes, buys or in association with other bodies".

The Company may own, have interest or participate, in any manner, with the bodies practicing similar businesses or financial businesses or supporting it to achieve its objectives or to merge therein or purchase the same. The Company may conduct all such businesses in this Article whether inside or outside the Kingdom of Saudi Arabia.

The Company has been licensed to exercise the following main insurance services: 1- General Insurance, 2- Health Insurance and 3- Protection and Saving Insurance. The Company, however, may not offer its products prior to securing final or temporary approval from SAMA for each product (in accordance with the Implementing Regulations). The Company has already obtained final & temporary approval from SAMA for a number of its insurance products.

The Company has obtained (final, temporary & conditional) approvals for the products set forth in the following Table:

**Table (4-1): Licenses & Approvals**

Type of License	Purpose	Date of Issue	Date of Expiry	Issuing Authority
License for practising insurance activity No. (T.M.N/33/20129)	To practice general insurance & health insurance	15/11/1433H (corresponding to 1/10/2012G)	Indefinite expiry date	SAMA
Foreign investment license – No. /102031078439-01/	Investment license for (a Saudi and foreign) company	26/1/1426H (corresponding to 7/3/2005G)	22/1/1439H (corresponding to 12/10/2017G)	SAGIA

Type of License	Purpose	Date of Issue	Date of Expiry	Issuing Authority
Approval for offering insurance products	Final approval for marketing & sale of: <ul style="list-style-type: none"> <li>Insurance policy against motor accidents/ comprehensive insurance</li> <li>Insurance policy against motor accidents/ third party liability insurance</li> </ul>	6/7/1434H (corresponding to 16/5/2013G)	-	SAMA
Approval for offering insurance products	Final approval for marketing & sale of group protection insurance policy	18/1/1435H (corresponding to 21/11/2013G)	-	SAMA
Approval for offering insurance products	Final approval for marketing & sale of credit insurance	18/1/1435H (corresponding to 21/11/2013)		SAMA
Approval for offering insurance products	Final approval for marketing & sale of health insurance policy	23/2/1435H (corresponding to 27/12/2013G)		SAMA
Approval for offering insurance products	Preconditioned final approval for marketing & sale of the following products: <ul style="list-style-type: none"> <li>Platinum Savings Program</li> <li>Gold Savings Program</li> <li>Istithmar Program</li> <li>Zawaj Program</li> <li>Ta'aleem Program</li> </ul> <p>Note: The Company should fulfil the required approval conditions and submit them to SAMA within one month from the approval letter issued by SAMA dated 29/8/1436H (corresponding to 16/6/2015G).</p>	29/8/1436H (corresponding to 16/6/2015G)	-	SAMA
	Temporary approval for marketing and sale of the following policies: <ul style="list-style-type: none"> <li>Property All Risk</li> <li>Erection All Risks</li> <li>Standard Fires</li> <li>Machinery Breakdown</li> <li>Contractors Plant and Machinery</li> <li>Workers Compensation</li> <li>Loss of Profit following Machinery Breakdown</li> <li>Fidelity Guarantee</li> <li>Boiler and Pressure Vessels</li> <li>Money in safe/ money transportation</li> <li>Marine Insurance</li> <li>Individual/ Group injury Insurance</li> <li>Public Liability Insurance</li> <li>Business Interruption</li> <li>Commercial General Liability</li> <li>Contractors' All Risks</li> <li>Home Package</li> <li>Fire and Special Perils</li> </ul>			SAMA

source: The Company

### 4-3 Corporate History

The Company was incorporated as per the Royal Decree No. (M/25) dated 3/5/1430H (corresponding to 28/4/2009G) and the Ministerial Resolution No. (140) dated 2/5/1430H (corresponding to 27/04/ 2009G) and CR No. (1010342527) dated 28/7/1433H (corresponding to 18/06/2012G) issued at Riyadh. Upon incorporation, the Founding Shareholders subscribed to a total of fourteen million (14,000,000) shares representing 70% of the Company's capital of SAR 10 each, while six million (6,000,000) ordinary shares were subscribed by the Public through IPO representing 30% of the Company's capital of SAR 10 each during the period from 26/4/1433H (corresponding to 19/3/2012G) to 2/5/1433H (corresponding to 25/3/2012G). The Company has been listed on the Saudi Stock Exchange (Tadawul) since 4/8/1433H (corresponding to 24/6/2012G).

The Company confirms that it has never granted preferential Rights to the Founding Shareholders or other shareholders and that since its incorporation up to date, it has not increased its capital by offering Rights Issue.

The following is summary of the most important developments after declaration of the Company incorporation:

- Listing the Company shares on the Saudi Stock Exchange (Tadawul) on 4/8/1433H (corresponding to 24/6/2012G).
- Obtaining SAMA license on 20/11/1433H (corresponding to 06/10/2012G) No. (T.M.N/33/20129) dated 14/11/1433H (corresponding to 30/09/2012G) to practice the insurance business in the class of (General Insurance, Health Insurance and Protection & Saving Insurance) in Saudi Arabia in accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations.
- The recommendation by the Company Board of Directors in its meeting held on 2/1/1436H (corresponding to 26/10/2014G) submitted to the Extraordinary General Assembly for increasing the Company capital from (SAR 200,000,000) two hundred million Saudi Riyals to (SAR 450,000,000) four hundred fifty million Saudi Riyals through Rights Issue.
- Obtaining the final approval from SAMA in a letter No. 361000042979 dated 17/03/1436H (corresponding to 08/01/2015G) for a capital increase of (SAR 250,000,000) two hundred fifty million Saudi Riyals through a Rights Issue of twenty five million (25,000,000) shares of SAR10 each.

Acquisition of the Insurance Portfolios of Arab Eastern Insurance Company, Tokio Marine & Nichido Fire Insurance Company Ltd and Assets of Hussein Aoueiini and Co. Ltd.

On 29/4/1434H (corresponding to 12/3/2013), the Company's Board of Directors decided to submit recommendation to the shareholders for not completing the acquisition and transfer procedures of the Insurance Portfolios belonging to Arab Eastern Insurance Company, Tokio Marine & Nichido Fire Insurance Company Ltd and Assets of Hussein Aoueiini and Co. Ltd. Such acquisition had been planned initially, disclosed in the IPO Prospectus of the Company and approved by CMA Resolution No. (2-9-2012) dated 4/4/1433H (corresponding to 26/2/2012).

In line with the abovementioned Board recommendation, the Company is currently in process of following-up and finalizing necessary procedures in order to secure SAMA approval for the Board recommendation for subsequent presentation to the General Assembly of the Company's shareholders to obtain their consent and complete all relevant legal procedures.

#### 4-4 The Company Vision

The Company intends to be an insurance operator of choice in KSA by providing the highest quality customer-oriented products and services supported by well-trained human resources and state-of-the art information technology.

#### 4-5 The Company Mission

To build trust and create value for our customers through Sharia-compliant insurance solutions by highly talented people, superior technology and consistently setting higher standards of service.

#### 4-6 The Company Strategy

The Company intends to position itself as pioneer in the Saudi insurance market by providing diversified and good quality products & services. The Company strategy is based on a set of main elements through which it acts for realizing its objectives:

- **The Growth Strategy, by:**
  - Developing specialized insurance products making use of the long-term expertise and knowledge of the strategic partner Tokio Marine & Nichido Fire Insurance Company Ltd.
  - Developing specialized products such as Protection and Savings products to cater for diversified insurance products to customers.
- **Efficiency, by:**
  - Determining the insurance businesses and products that fit with ATMC's risk appetite and reinsurance capacities.
  - Improving internal risk engineering capabilities relating to the Company businesses.
  - Delivering high quality customer services, particularly in connection with insurance customer claims.
  - Delivering high quality customer services and positive interaction with customer claims & proposals.
  - Putting in place Controlled underwriting structure.
- **Selectivity, by:**
  - Continuous endeavoring for ensuring reasonable retention levels of potential risk and protection against large insurance claims of high values.
  - Gain insight into the experience of regional insurance markets, especially with regards to the insurance claims.
  - Maximizing the profitability rates of new products and renewed insurance policies through a pricing policy that is balanced & compatible with similar products in the local market. Ongoing development of underwriting management.

- **Ongoing development of corporate manpower, by:**
  - Setting comprehensive training programs for developing the skills and experiences of ATMC staffs.
  - Strengthening an ongoing career development planning for the ATMC staff at all job levels.
  - Structured system of ATMC performance management assessment applicable to all corporate departments and reviewed periodically.
  - Ensuring good Saudization rates in line with the regulatory requirements and continuing endeavor to localize jobs within ATMC.

## 4-7 Competitive Advantages

The Company has a number of competitive advantages compared to some of its competitors in the insurance market. These advantages include:

- **Management Team with KSA and Global Insurance Expertise**

The Company management has many years of accumulated insurance experience & knowledge locally, regionally and globally.

- **Solid Customer Base**

The Company has built strategic relationships with some major customers over the years that helped it continue and grow. These customers include some of the leading businesses in Saudi Arabia and this has enabled the Company to successfully leverage these relationships to market its products to new customers.

- **Diversified Array of Products and Services**

The Company has secured license from SAMA covering over twenty (20) insurance products in the area of both General Insurance and Health Insurance to cover the growing needs of most individual customers and businesses. Moreover, Five (5) products are under review of SAMA and other six (6) insurance products are under preparation and development. Insurance product development process is carried out by benefiting from the World Class insurance expertise of Tokio Marine & Nichido Fire Insurance Company Ltd (TMNF).

- **Advanced IT**

The Company has availed state-of-the art information and technological insurance systems which will contribute to the leverage of its business efficiency and development of its products.

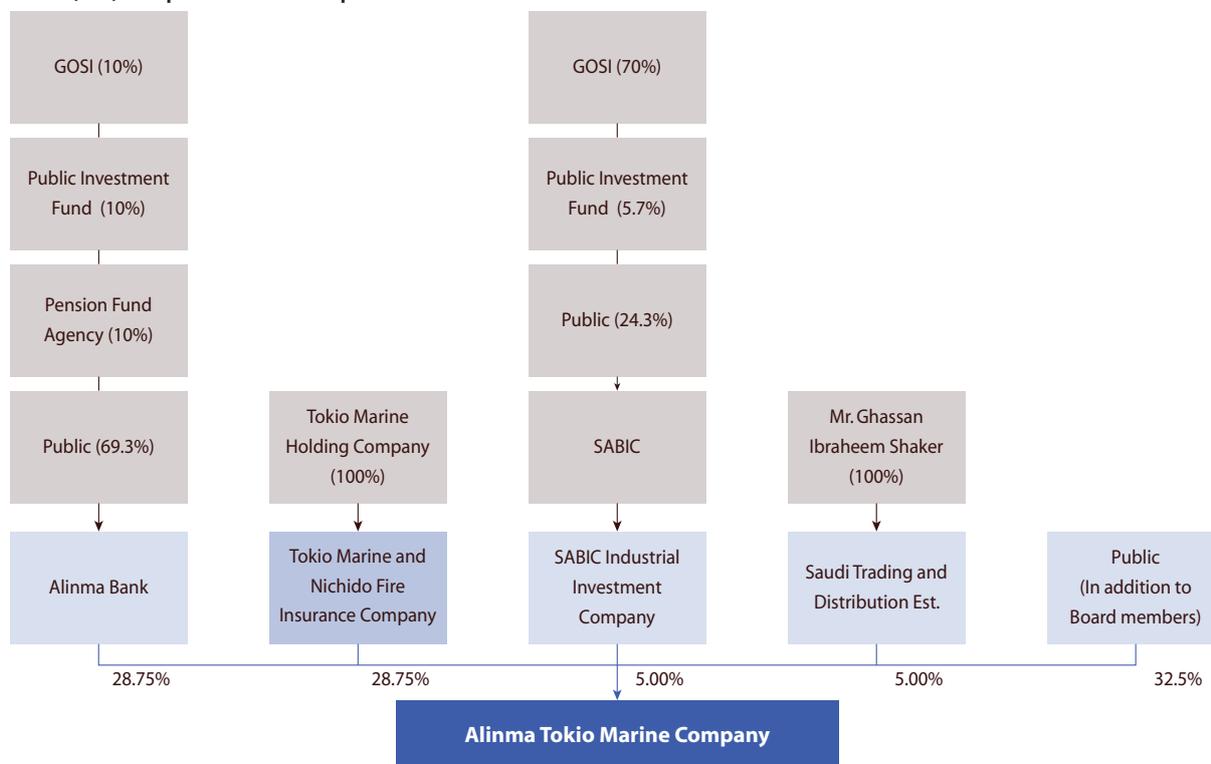
- **Strong Internal Controls and Risk Management Systems**

The Company has developed necessary systems for risk management and internal controls which would signal early warning of any challenges or risks and initiate corrective measures to curb their effects on the Company business.

## 4-8 Company's Major Shareholders

Ownership Structure of direct and indirect major shareholders in Alinma Tokio Marine Company. The Table illustrates the following:

**Table (4-1): Corporate Ownership Structure**



Source: the Company

The following Table also shows the names and ownership of shareholders holding 5% or more of ATMC shares before offering.

**Table (4-1): List of shareholders holding 5% or more of ATMC shares before offering**

Names of Shareholders	Nationality	Number of Shares	Ownership (%)	Value (SR)
Alinma Bank	KSA	5,750,000	28.75%	57,500,000
Tokio Marine & Nichido Fire Insurance Company Limited	Japan	5,750,000	28.75%	57,500,000
Sabic Industrial Investments Company	KSA	1,000,000	5.00%	10,000,000
Saudi Establishment for Trading & Distribution	KSA	1,000,000	5.00%	10,000,000
<b>Total</b>		<b>13,500,000</b>	<b>67.50%</b>	<b>135,000,000</b>

Source: ATMC

The abovementioned ownerships are direct. There is no indirect ownerships.

### Alinma Bank

Alinma Bank was founded with a capital of (15,000,000,000) fifteen billion Saudi Riyal as a Saudi Joint Stock Company in accordance with the Royal Decree No. (M/15) dated 28/02/1427H (corresponding to 28/03/2006G), and the decision of the Ministerial Council No. (42) dated 27 / 2/1427H (corresponding to 27/03/2006G), and the commercial registration number (1010250808) dated (21/05/1429H) in accordance with the provisions of the Companies Regulations issued by Royal Decree No. (M / 6) dated 22/03/1385H and the Banking Control Law and the decision of the Ministerial Council No. (245) dated 26/10/1407 H, as well as other regulations in force in Saudi Arabia. The Bank objectives are to engage in Sharia Compliant banking and investment businesses.

The Alinma Bank, during 2014, has a total number of One hundred and four (104) Branches scattered around the Kingdom of Saudi Arabia, out of which Fifty Nine (59) are for men and Forty Five (45) for ladies. The market value of Alinma Bank, at the end of trading on 13/09/1436 (corresponding to 30/06/2015G), was (33,870,000,000) thirty-three billion eight hundred seventy million Saudi Riyals. The total operating income of the Bank in 2014 was (2,619,839,000) two billion six hundred nineteen million eight hundred thirty-nine thousand Saudi Riyals, while the total shareholders' equity reached

(17,939,232,000) seventeen billion nine hundred thirty nine million two hundred thirty-two thousand Saudi Riyals. The following table shows the ownership structure of Alinma Bank as at the end of trading on 13/09/1436 H (corresponding to 30/06/2015G)<sup>1</sup>.

**Table (4-2): The Ownership Structure of Alinma Bank**

Name of Shareholders	Ownership (%)
General Organization for Social Insurance	5.1%
Public Investment Fund	10.0%
Public Pension Agency	10.7%
Public	74.19%
<b>Total</b>	<b>100%</b>

Source: Tadawul

### **Tokio Marine & Nichido Fire Insurance Company (TMNF)**

Tokio Marine & Nichido Fire Insurance Company Limited (TMNF) was founded in 1879 as one of the oldest and largest Japanese companies in the area of insurance. TMNF is a Japanese company with CR No. 01990100824 and address at 1-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo 1008050, Japan. It is a wholly owned subsidiary of the Tokio Marine Holdings, Inc. which is a listed company on the Tokyo Stock Exchange and Osaka. The Book value of TMNF assets as of the fiscal year ending on 31/03/2014 stood at about (SAR 261 billion) Two Hundred Sixty One billion Saudi Riyals (equivalent to 8,374 billion Japanese Yen), while the volume of premiums for insurance policies amounted to 61.3 billion Saudi riyals (equivalent to 1,966 billion Japanese Yen)<sup>2</sup>.

The Tokio Marine Group (parent company of TMNF) is one of the longest established insurance enterprises in the Middle East with presence in the KSA for more than forty (40) years (through the former agent Hussein Uwaini & Co, Ltd.). It currently operates in more than thirty eight (38) countries and provides a wide range of insurance products and services.

TMNF provides insurance services for retailer & corporate via a set of products covering the needs for all its clients. The following is summary of such products:

#### **Retail Products are as follows:**

- Life insurance
- Motor Insurance
- Home insurance
- Travel insurance

#### **Corporate Products include the following:**

- Business Activities insurance
- Properties insurance
- Transportation & Marine

### **The Tokio Marine Group Corporate Philosophy**

With customer trust as the foundation for all of its activities, the Tokio Marine Group continually strives to raise corporate services & value as follows:

- Through the provision of the highest quality products and services, the Tokio Marine Group aims at delivering safety and security to all customers.
- By developing sound, profitable and growing business throughout the world, the Tokio Marine Group fulfils its mandate to its shareholders.
- The Tokio Marine Group continues to build an open and dynamic corporate culture based on viability & openness that enable each employee to manifest his own creative capabilities.

**Table (4-3): Ownership Structure for TMNF**

Company Name	Ownership (%)
Tokio Marine Holdings Co.	100%

<sup>1</sup> Source: Tadawul

<sup>2</sup> Source: Tokio Marine Annual Report for the Fiscal Year ending 31/03/2014

Tokio Marine Holdings Inc is a company which shares are listed on the Tokyo & Osaka Stock Exchanges with over one hundred thousand shareholders.

### Sabic Industrial Investments Company

Sabic Industrial Investment Company is a Saudi Limited Liability company with CR No. (1010108128) dated 07/10/1413H and share capital of three hundred million Saudi Riyals (SR 300,000,000) divided into three hundred thousand (300,000) shares of equal value, each with a value of one thousand Saudi Riyals (SR 1,000). The capital of Sabic Industrial Investments Company has been partly paid up by Saudi Basic Industries Corporation which is the sole shareholder in Sabic Industrial Investments Company. Sabic Industrial Investment Company is wholly owned by Saudi Basic Industries Corporation.

Saudi Basic Industries Corporation was incorporated on 04/01/1977 with an authorised share capital of thirty billion Saudi Riyals (SR 30,000,000,000). The paid up share capital is thirty billion Saudi Riyals (SR 30,000,000,000) divided into three billion (3,000,000,000) shares of equal value, each with a value of ten Saudi Riyals (SR 10). The following Table shows Sabic ownership structure as of the trading ending on 13/9/1436H (corresponding to 30/6/2015):

**Table (4-4): Ownership Structure of Saudi Basic Industries Corporation (SABIC)**

Shareholders	Ownership (%)
Public Investment Fund	70.00%
General Organization for Social Insurance	5.70%
Public	24.30%
<b>Total</b>	<b>100%</b>

Source: Tadawul

### Saudi Establishment for Trading & Distribution

Saudi Establishment for Trading & Distribution was established on 22/7/1399H (corresponding to 17/06/1979G) under commercial registration number 4030019724. The share capital of Saudi Establishment for Trading & Distribution is one hundred thousand Saudi Riyals (SR 100,000) and its principal address is Kamal Shawan Building, Al Hamra Street, Hamra District, Jeddah, KSA. Saudi Establishment for Trading & Distribution is wholly owned by Mr. Ghassan bin Ibrahim Shaker.

## 4-9 Services & Products

This Section provides a summary of the insurance products provided by the Company and approved by SAMA. The Section does not include all Terms & Conditions of the relevant insurance policies. It may also contain items that are not fully compatible with the items of the policy thus, it does not exclude in any manner the provisions of these policies and has no contractual or legal value.

### 4-9-1 All Property Perils Insurance

- **Cover provided:** This product is suitable for all types of commercial businesses. It provides insurance coverage for all accidental risks & damages and property related damages unless a specific case is identified. This policy covers damages owing to fires, lightning and explosions, floods, storms, tempest, impacts by any road vehicle or animal or moving body against the insured properties, strikes, riot and civil commotion and theft. Extent of policy coverage includes the following:
  - Buildings
  - Machinery and equipment
  - Furniture, fixtures and fittings
  - Computer and office machines
  - Inventory and other contents
- **Usual Exclusions:** This policy does not cover:
  - Spoilage of things from within, wear & tear and defects with workmanship.
  - Erosion, change of temperature, colour, taste or touch.
  - Shortage of storage,
  - Damages of fences, gates or movable properties on open areas resulting from winds, rainfalls or floods.
  - Terrorism or war losses.
  - Mechanical or electrical defects.
  - Radioactive pollution.
  - Erasure or distortion of electronic data.

- **Additional covers provided:** This policy allows for the following additional other insurance coverage that may be added to the Policy:
  - Architects, surveyors, engineers fees.
  - Capital additions (up to SAR 2m per building).
  - Fire extinguishing expenses (up to SAR 5,000).
  - Loss of metered water (up to SAR 5,000).
  - The additional costs of complying with public authorities regulations when rebuilding.
  - Removal of debris.
  - Replacement of locks & keys after theft (up to SAR 5,000).
  - Contents whilst temporarily removed.
  - Trace and access (up to SAR 5,000)
  - Theft losses on the building/s.

#### 4-9-2 Insurance against Fire

- **Cover provided:** This product is suitable for all types of commercial & residential buildings. The Policy defines and names the contingent cases and covered losses. It also provides basic insurance coverage against losses owing to fires, lightning and explosions. Additional perils can be added for contingencies of burst or overflowing pipes and water tanks, aircraft explosions, storms, tempests and floods, Impact by any moving road vehicle, animal or bodies against the insured properties, strikes, riot and civil commotions, theft (subject to forcible &/or violent entry or exit). Extent of policy coverage includes the following:
  - Buildings
  - Machinery and equipment
  - Fixtures and fittings
  - Computers and office machines
  - Stock and other contents
- **Usual Exclusions:** This Policy does not cover the following:
  - Fixed Glass that is scratched or stained
  - Vehicles licensed for road use
  - Property in the course of construction or erection
  - Property insured by any marine policy
  - Terrorism or war losses
  - Property in transit outside the premises
  - Consequential loss
  - Radioactive pollution
  - Erasure or distortion of electronic data
- **Additional covers provided:** This policy allows for the following additional other insurance coverage that may be added to the Policy:
  - Architects, surveyors, engineers fees
  - Capital additions (up to SAR 2m per building)
  - Fire extinguishing expenses (up to SAR 5,000)
  - Removal of debris
  - The additional costs of complying with public authorities regulations when rebuilding
  - Contents whilst temporarily removed
  - Trace and access (up to SAR 5,000)

#### 4-9-3 Motor Insurance

##### Motor Vehicles' Comprehensive Insurance

- **Covers provide:** This Policy provides insurance against the following perils:
  - a. Losses & damages on the insured vehicle as a result of one of the following accidents:
    - Collision or turning upside down
    - Fires & external explosions

- Burglary and theft
  - Predetermined harm from external parties
  - Within coverage limits equivalent to the vehicle's market value.
- b. Liability toward third party: By indemnifying third party in cash and within the limits of the Terms & conditions set forth in the policy regarding an insured damage whether arising out of using the vehicle or parking it within Kingdom of Saudi Arabia. This is per one event that does not exceed a total sum of (SAR 10,000,000) ten million Saudi Riyals for bodily injuries (including blood money, estimated amounts for injuries and medical expenses) and material damages.
  - c. Medical Treatment Expenses: This is in the event that a driver of an insured vehicle suffers an accident not excluded from the Policy and complies with the Policy Terms & Conditions within a limit of SAR 500 per week maximum 26 weeks.
  - d. Optional additional coverage: The Policy may be extended with additional insurance coverage to include personal accidents of the driver and accompanying passengers with maximum limit of SAR 100,000 per person.

#### **Third Party Liability Insurance:**

- **Covers provide:** This Policy provides insurance against the following perils:
  - a. In accordance with this Policy, and in compliance with the unified obligatory motor insurance policy, third party will be indemnified in cash within the limits of the Terms & Conditions of the insurance policy for a covered damage whether arising out of using the vehicle or parking it within Kingdom of Saudi Arabia. This will be within the insurance coverage per one event which does not exceed a total sum of (SAR 10,000,000) ten million Saudi Riyals for bodily injuries (including blood money, estimated amounts for injuries and medical expenses) and material damages.
  - b. Optional additional coverage: The Policy may be extended with additional insurance coverage to include indemnities against personal accidents of the driver and accompanying passengers with maximum limit of SAR 100,000 per person.

#### **4-9-4 Public Liability Insurance**

- **Covers provided:** The Public Liability Insurance Policy provides insurance coverage for third party injury or property damage arising from its insured business operations. The policyholder is indemnified in respect of all financial sums he is legally liable to pay plus the claimant's costs and expenses arising from accidental bodily injury and/or property damage occurring during the period of insurance in connection with the business within the geographical limits. Public Liability policies are written on a 'Limit of Liability' basis. Different indemnity levels of material indemnities may be discussed. The usual limits provided are:
  - Bodily Injury: SAR 100,000 per person
  - Property Damage: SAR 1,000,000 per accident
  - Combined Limit between bodily injury and property: SAR 1,000,000 for any one loss per year.
- **Usual Exclusions:** This policy does not cover the following:
  - Damage arising out of negligence in providing professional advice.
  - Liability towards employees (covered by Workers Compensation or Employers Liability policy).
  - Liability assumed by contract (unless liability would have arisen anyway in the absence of the contract).
  - Defective workmanship.
  - Fines, penalties or cash indemnities against damages or punitive actions.
  - Offshore work.
  - Pollution (unless caused by sudden, identifiable, unintended and unexpected causes)
  - Products liability
  - Toxic mould
  - Radioactive exposure
- **Additionally available insurance coverage:** The Public Liability policy is written on a 'Limit of Liability' basis. Different indemnity levels of material indemnities may be discussed. The usual limits provided are:
  - Bodily Injury: SAR 100,000 per person
  - Property Damage: SAR 1,000,000 per accident
  - Combined Limit between bodily injury and property: SAR 1,000,000 for any one loss per year.

#### 4-9-5 Commercial General Liability Insurance

- **Covers provided:** A Commercial General Liability policy covers any third party injury or property damage arising from practicing business operations of the policyholder. This policy is different from the General Public Liability policy in that it is derived from the United States of America and therefore it comprises phrases and contains policy terms which are familiar in the US court system. The policy offers the option of protection for bodily injury, property damage, advertising damage and personal injury to a third party for which a company is found to be legally liable. The insurance coverage limits are determined on a 'Limit of Liability' basis. Different indemnity levels of indemnities may be discussed. The usual limits provided are:
  - Bodily Injury: SAR 100,000 per person
  - Property Damage: SAR 1,000,000 per accident
  - Combined Limit between bodily injury and property: SAR 1,000,000 for any one loss per year.
- **Usual Exclusions:** This policy does not cover the following:
  - Expected or intended injury.
  - Contractual Liability.
  - Worker's Compensation and similar laws.
  - Pollution.
  - Damage to Insured's property.
  - Damage to Insured's product.
  - Damage to Insured's works.
  - Aircraft, Auto or Watercraft.
  - Professional Liability
  - Personal and Advertising injury
- **Additionally available insurance coverage:** This policy allows for the following additional other insurance coverage that may be added to the Policy:
  - Products-Completed operations hazard.
  - Medical Expenses coverage.
  - Sudden & Accidental pollution Liability (excluding USA and Canada).
  - Coverage for additional Insured when required by written contract.
  - Advertising injury and Personal Injury Liability coverage.

#### 4-9-6 Erection All Risks Insurance

- **Covers provided:** This Policy provides insurance coverage for all erection businesses including machinery, plants and steel structures of any kind. This insurance coverage is divided into the following types.
  - Type 1 - 'All Risks' coverage on the property insured against any sudden and unforeseen loss or damage occurring during the period of Insurance.
  - Type 2 – Third Party Liability coverage in respect of bodily injury and property damage to third parties where the Insured is legally liable for compensation.

The coverage limit value of this Policy amounts to the equivalent full value of the contracting works at the completion of the project, inclusive of all materials, wages, freight, customs duties and materials supplied by the project owner, in respect of construction plant and machinery. The replacement value will be approved when calculating the cost of damaged materials.

- **Usual Exclusions:** This Policy does not provide insurance coverage for each of the following:
  - Terror risks.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Wilful act or wilful negligence of the Insured or his representatives.
  - Cessation of work whether total or partial.
  - Consequential loss.
  - Faulty design.
  - Cost of replacing/repairing defective material.
  - Contractual Liability.
  - Workers Compensation or Employers Liability.
  - Expenditure incurred in repairing or replacing any of the insured things under Section 1.
  - Accidents caused by vehicles licensed for road use or by waterborne vessels or aircraft.

#### 4-9-7 Machinery Insurance

- **Covers provided:** This Policy provides insurance coverage for all mechanical items of the policyholder or selectively higher exposure items than third party. A policyholder is indemnified against any sudden and unforeseen material loss or material damage requiring repair or replacement owing to causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm or from any other cause that is not specifically excluded.

Coverage limit of this policy should be equal to the cost of replacement of the insured machinery by new machinery of the same kind and capacity, including cost of freight, customs duties and erection.

- **Usual Exclusions:** This Policy does not provide insurance coverage for each of the following:
  - Loss or damage to exchangeable tools e.g. dies, moulds, cylinders, crushing hammers, objects made of glass, belts, ropes etc.
  - Loss or damage due to fire, direct lightning, chemical explosion, extinguishing of a fire, aircraft, theft, flood, earthquake, subsidence, avalanche, hurricane, volcano etc.
  - Loss or damage for which a supplier or contractor is responsible by law or contract.
  - Loss or damage due to errors or defects known to the insured or his representatives at the time of the insurance coverage, whether or not such defects or errors were known to the Company.
  - Wilful act or negligence.
  - War or terrorism risks.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Wear and tear, erosion & rust.
  - Consequential loss or liability of any kind or capacity.
- **Additionally available insurance coverage:** This Policy allows for additional insurance coverage that can be added to the Policy as follows:
  - Possible addition of new machinery during the coverage validity without need to inform the Company (normally within maximum limit of 10% of the insurance amount declared in the Policy).
  - Debris removal (normally amounts to 10% of the insurance amount).
  - Expense acceleration allowing for the client to proceed with the replacement and repair works without delay.

#### 4-9-8 Contractors Plant and Machinery Insurance

- **Cover provided:** This Policy provides Insurance coverage for all kinds of plants, machinery and movable equipment used on a construction site, including: crane lifting equipment, piling machines, stackers, reclaimers, bitumen mixing machines, general contracting equipment such as excavators, bulldozers, black hawk, grader, road roller, caterpillar, static items such as mixing batchers, air compressors, forklifts, and other similar equipment.

The Policy provides indemnities to the policyholder for any unforeseen and sudden loss or damage arising from any cause not specifically excluded and in any manner necessitating repair or replacement. Cover applies whether or not the insured items are at work or at rest, being dismantled for the purpose of cleaning or overhauling, in the course of the operations themselves or in the course of subsequent re-erection, but in any event only after successful commissioning.

The Policy provides indemnities to the policyholder for any unforeseen and sudden loss or damage arising from any cause not specifically excluded and in any manner necessitating repair or replacement. Cover applies whether or not the insured items are at work or at rest, being dismantled for the purpose of cleaning or overhauling, in the course of the operations themselves or in the course of subsequent re-erection, but in any event only after successful commissioning.

- **Usual Exclusions:** This Policy does not provide insurance coverage for each of the following:
  - War and Terrorism risks.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Electrical or mechanical breakdown, failure, breakdown or derangement, freezing of coolant etc.
  - Loss or damage to replaceable parts and attachments such as bits, drills, knives or other cutting edges saw blades, ides, moulds etc.
  - Loss or damage to vehicles designed and licensed for general road use.
  - Loss or damage due to explosion of any boiler or pressure vessel.
  - Wear and tear, corrosion, rust, deterioration due to lack of use and normal atmospheric conditions.
  - Loss or damage occurring during test.

#### 4-9-9 Loss of Profit following Machinery Breakdown Insurance

- **Covers provided:** This Policy provides insurance coverage for the actual loss of profits as a result of a business interruption caused by material damage indemnifiable under machinery insurance or any profit loss due to interruption or interference of business operations resulting in:
  - The reduction in operating profit i.e. the profit from selling the goods produced and traded by the Insured and from rendering services.
  - The Total paid charges incurred if operations are interrupted or impaired. These include wages and salaries, interest, economic depreciations, basic expenses derived from third party, expense for upkeep of buildings and machines, fittings, rent, taxes and other non-specific working expenses, insurance premiums etc. Loss minimization costs are also included.

The insurance coverage limits in this Policy are determined by calculating the total unrealized operational profits and incurred charges for a period of twelve Gregorian months (usually called “working year”).

- **Usual Exclusions:** This Policy does not provide insurance coverage for each of the following:
  - Loss or damage to exchangeable tools e.g. dies, moulds, cylinders, crushing hammers, compactors, objects made of glass, belts, ropes etc.
  - Loss or damage due to fire, direct lightning, chemical explosion, extinguishing of a fire, aircraft, theft, collapse of buildings, flood, earthquake, subsidence, avalanche, hurricane, volcano etc.
  - Loss or damage due to the imposition of abnormal conditions directly or indirectly resulting from testing, intentional overload or experiments.
  - Loss or damage for which a supplier or contractor is responsible by law or contract.
  - Pre-existing faults or defects.
  - Wilful act or gross negligence
  - War or terrorism risks.
  - Wear and tear, erosion, rust etc.

#### 4-9-10 Boiler and Pressure Vessels Insurance

- **Covers provided:** This Policy provides insurance coverage against the following perils:
  - Damage (other than by fire) to any boiler or pressure vessel insured.
  - Legal liability for damage to property not belonging to the Insured.
  - Legal liability on account of fatal or non-fatal injury to anyone other than employees or workmen or members of the Insured’s family caused by explosion or collapse of any boiler or pressure vessel insured.

The insured coverage limits in this Policy should be determined by calculating the cost of replacement of the insured item by a new item of the same kind and capacity i.e., price or cost of replacement including freight, customs duties and cost of erection.

- **Usual Exclusions:** This Policy does not provide cover insurance for each of the following:
  - Defects due to the wearing away or wasting of the materials of a boiler, whether by leakage, corrosion or by the action of the fuel, grooving or fracturing of any of the parts of a boiler, development of cracks, blisters etc., fractures, failure of joints, bulging and deformation due to overheating of tubes etc.
  - Failure of individual tubes.
  - Damage to property caused by fire arising from explosion or collapse or damage caused by any extraneous cause.
  - The wilful act or wilful neglect of the Insured.
  - Loss sustained by stoppage of work.
  - Loss directly or indirectly from typhoon, hurricane, volcano, earthquake.
  - War and terrorism risks.
  - Efficiency tests other than other tests at a pressure not exceeding the maximum pressure permitted by any relevant authority.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Wear and tear, erosion, rust etc.

#### 4-9-11 Marine Insurance

- **Covers provided:** The Insurance coverage of the Marine Policy provides Marine Insurance for all transit phases including ocean transit, air transit and land transit (rail or road). This Policy provides the insurance coverage against the following perils:
  - Fire & Explosion.
  - Vessel being sunk or grounded.
  - Collision of vessel.
  - General Accident.
  - Jettison.
  - Water damage.
  - Earthquake, volcanic eruption or lightning
  - Freight loss.
- **Usual Exclusions:** This Policy does not provide insurance coverage for each of the following:
  - Wilful misconduct of the insured.
  - Ordinary loss in weight or volume, wear & occurrence of opening within the ship or change of its direction.
  - Insufficient or unsuitable packing,
  - Inherent vice or nature of subject matter insured.
  - Delay.
  - Winding up or financial failure of the owner, manager, operator or charter of vessel.
  - Nuclear peril.
  - Non-sea worthiness and unfitness of vessel, craft, conveyance, container or lift van
  - Radioactive contamination, chemical, bio-chemical & electromagnetic weapons.

#### 4-9-12 Home Package Insurance

- **Provided covers:** This Policy covers various & specialized types of insurances that meet the needs of residential properties' residents & owners. The following are such types of this Policy:
  1. **Household Contents :** covers household contents against specific perils such as fire, explosion, lightning, earthquake, smoke damage, storm and floods, riots, civil commotions, strikes, labor disturbances, malicious persons or vandalism acts, collision by animals or aircrafts or falling equipment or tools from aircrafts, escape of water, theft or attempted theft & falling aerials. In addition, the Policy covers: replacement costs of door locks, cost of alternative accommodation, removal of debris.
  2. **Accidental Damage to Contents:** cover extended to include damage by accidental external means to contents whilst in the Insured's premises.
  3. **Personal Possessions & Valuables:** covers Insured's personal possessions, valuables and portable equipment of the insured specified in the policy schedule against loss or accidental damage whilst in the 'Geographical Area' or whilst temporarily removed anywhere in the world for up to 90 days during any period of insurance.
  4. **Buildings:** covers damage to the buildings and/or landlord's furniture, fixtures and fittings against the same specified contingencies as 'Household Contents' and additionally covering: cost of alternative accommodation or loss of rent payable, architects' and surveyors' fees, removal of debris.
  5. **Accidental Damage to Buildings:** covers damage to the buildings and/or landlord's furniture, fixtures and fittings against the same specified contingencies as 'Household Contents' and additionally covering: cost of alternative accommodation or loss of rent payable, architects' and surveyors' fees, removal of debris.
  6. **Public Liability:** covers the legal liability of the Insured as either occupier or owner of the building in respect of bodily injury or damage to third party property, subject to the stated limits of indemnity.
  7. **Compensation for Death of the Insured:** compensation of the insured' heirs if the Insured dies as a result of accidental bodily injury suffered following a fire or from unauthorized intruders.
- **Usual Exclusions:** This Policy does not cover insurance coverage for each of the following:
  - War and Terrorism risks.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Consequential loss not otherwise provided in the policy.
  - Aircraft pressure waves.
  - Unjustifiable disappearance.
  - Computer virus

#### 4-9-13 Health Insurance

- **Provided covers:** The Health Insurance policy indemnifies the insured for the actual expenses incurred against services, materials & equipment not excluded that are prescribed by a licensed physician as a result of sickness or ailment suffered by the insured in accordance with the "Cooperative Health Insurance Policy" issued by the Cooperative Health Insurance Council.
- **Additional Available Covers provided:** The insurance coverage may be extended by leverage of the coverage limits stated in the policy table against benefits, such as maximum benefit per person, dental treatment cost, pregnancy & delivery cost, to higher amounts provided that the Company approval is secured and against agreed extra premium.

#### 4-9-14 Workers Compensation

- **Cover provided:** A Workers Compensation policy indemnifies an organisation for their legal liability for accidental bodily injury or disease to any of its employees arising from their business activities. Cover is also provided as per the provisions of the KSA Labour Law pursuant to the Royal Decree No. M/51, dated 23rd Sha'ban 1426 correspondent to 27 September 2005 (First Edition 2006G).
- Premiums are calculated according to the estimated annual wages & salaries. Accordingly, the premium provided to the insured organization will be initial and amendable by the end of the Policy term, depending on the actually paid up wages & salaries per annum.
- The current minimum level of compensation payable is SAR 54,000 and a maximum of three years wages including annual leaves. Extra compensation may be claim where negligence is alleged on the owner part.

#### 4-9-15 Fidelity Guarantee Insurance

- **Cover provided:** This Policy covers an insured organization against risks of infidelity or embezzlements that may be committed by the organization's employees. The Policy may be drafted in different ways as shown below:
  - Named individuals to be insured against their infidelity.
  - Designated jobs for which infidelity insurance are required.
  - Unspecified and All employees coverage.
- **Usual Exclusions:** This Policy does not provide insurance coverage in the following cases:
  - Loss & leakage of trade secrets.
  - Consequential loss or loss of interest of any kind.
  - Any material change in the nature of the insured organization business unless agreed in writing with the Company.
  - Any loss committed by the organization owner, not the employees.
  - Losses where the defaulting employee cannot be identified by name.
  - Losses due to trading in securities, options in foreign exchanges.
  - Losses not discovered within 12 months of expiry of the policy

#### 4-9-16 Money Insurance/ Transit Insurance

- **Cover provided:** According to this Policy, an insured is indemnified for loss of cash plus any damage to safe, strong room or container which occurs in the course of theft or attempted theft. It also includes losses from the policyholder's premises, whilst in transit, in bank night safes, at contract sites (during business hours) or from the home of the policyholder or any of its partners, directors or employees.
- **Money includes:** cash, bank and currency notes, cheques (other than blank cheques), travellers cheques, bankers drafts, postal orders, money orders, postage orders, unexpired units on franking machines, trading stamps, gift tokens, bills of exchange, travel tickets, phone cards and credit cards.
- **Unusual Exclusions:** This Policy does not cover losses:
  - resulting from fraudulent or uncollectable payments.
  - by employee dishonesty/fraud (unless discovered within 7 days).
  - from fraudulent use of a computer or electronic transfer.
  - from fraudulent use of credit or charge cards.
  - from safe/strong room where key have been left on the premises overnight.
  - loss or shortage due to errors or omissions.
  - consequential loss of any kind.
  - resulting from unattended vehicles
- **Additionally available coverage:** The insurance coverage may be extended to include losses resulting out of fraudulent use of credit cards (with specific limit).

#### 4-9-17 Individual and Group Injury Insurance

- **Covers provided:** This Policy provides personal accident cover for managers/employees on a 24 hour worldwide basis. The Policy includes the following events:
- Death
- Total and permanent loss of, or loss of, use of one or more limb(s).
- Total and irrecoverable loss of sight in one or both eyes or permanent total loss of hearing in one or both ears or permanent loss of speech.
- Permanent total disablement occurring within 24 months of the happening of the accidental bodily injury.
- Permanent total disablement

Regarding the insurance coverage limits, financial compensation shall be agreed on the policy schedule. This is in addition to the accident related medical expenses to a limit of 15% of the total claim according to the insurance coverage (maximally 15 million Saudi Riyals per person).

- **Usual Exclusions:** This Policy does not provide insurance coverage in following cases:
  - Sickness (physical or mental), disease or any naturally occurring condition or degenerative process.
  - Bodily injury directly or indirectly caused by pregnancy or childbirth.
  - Taking part in naval, military or air force service or operations.
  - Where under the influence of intoxicating liquor or drugs.
  - Result of intentional self-injury, attempted suicide or whilst carrying out any criminal act.
  - Any 'excluded activities' listed in the policy.
  - Travelling other than by regular airlines, vessels or by approved multi-engine charter flight

#### 4-9-18 Business Interruption Insurance

- **Covers provided:** Known also as insurance against 'Loss of Profits' or 'Consequential Loss on specific insured event', this insurance covers any company intending to maintain its reputation in the market. The Policy provides insurance against loss of Gross Profit resulting from reduction in turnover and any increase in the cost of working following a loss covered by the Property All Risks or Fire and Perils policy and other perils. Cover can be taken for the maximum period of the anticipated interruption of the normal business activities.

In principle, compensation for any loss of profit will be considered so long as the insured property suffers loss which is covered, or may be, indemnified under the Property All Risks or Fire and other Perils' policy.

Upon determining the insured's financial amount, the policyholder should consult with its accountant to ensure correctness of all figures. Normally, the insured's amount is calculated by counting the gross anticipated profit using either of the following two methods:

- Addition Base = net profit + fixed expenses.
- Difference Base = turnover + value of period-end inventory minus value of opening inventory + purchases + specific operational expenses.

Covered perils and excluded events will be according to the manner under the Property All Risks or Fire and other Perils' policy.

#### 4-9-19 Contractors' All Risk Insurance

- **Cover provided:** This Policy provides insurance for all risks against construction contractors of buildings and civil engineering works such as tower blocks, offices, factories, warehouses, roads, bridges, residential villas. Coverage can be divided into two main sections:
  - Section 1 - 'All Risks' coverage on the property covered against any sudden and unforeseen loss or damage occurring during the Period of insurance.
  - Section 2 – Third Party Liability coverage in respect of bodily injury and property damage to third parties where the Insured is legally liable for compensation.

Insurance coverage limits should be equal to the full value of the contract work at the completion of the project, inclusive of all materials, wages, freight, customs duties and materials supplied by the project owner. In respect of construction plant and machinery, approved replacement value of damaged items shall be adopted.

- **Usual Exclusions:** This Policy does not provide insurance coverage in the following cases:
  - Consequential loss.
  - Faulty design.
  - Cost of replacing or repairing defective material or workmanship.
  - Loss or damage to the contractor's workshop, equipment and machinery due to mechanical/electrical

breakdown.

- Corrosion & rust.
- Damage to vehicles licensed for road use, waterborne vessels or aircrafts.
- Contractual Liability.
- Workers Compensation or Employers Liability.
- Damage to property or land caused by vibration or by removal or weakening of support (or damage to persons or property resulting from such matters).
- Accidents caused by vehicles licensed for road use or by waterborne vessels or aircrafts.

#### 4-9-20 Fire & Special Perils Insurance

- **Cover provided:** This Policy provides the required insurance coverage for all types of commercial and residential buildings against damages resulting from fires, lightings & explosions. Additional perils can be added covering contingencies of burst or overflowing pipes and water tanks, aircrafts, storms, tempests and floods, impacts by any road vehicle or animal, any moving object on the insured property, strikes, riots, civil commotions and theft (subject to forcible &/or violent entry or exit). This Policy covers the following areas:
  - Buildings.
  - Machinery and equipment.
  - Fixtures and fittings.
  - Computers and office machines.
  - Stock and other contents
- **Usual Exclusions:** This Policy does not provide insurance coverage in the following cases:
  - Vehicles licensed for road use.
  - Fixed Glass that is etched or stained.
  - Property in the course of construction or erection
  - Property insured by any marine policy.
  - Terrorism or war losses.
  - Property in transit outside the premises.
  - Consequential loss.
  - Pollution & Radiation.
  - Erasure or distortion of electronic data
- **Additionally available insurance coverage:** This Policy can provide other insurance coverage that can be added to the Policy as follows:
  - Architects, surveyors, engineers fees.
  - Capital additions (up to SAR 2m per building).
  - Fire extinguishing expenses (up to SAR 5,000).
  - The additional costs of complying with public authorities regulations when rebuilding.
  - Removal of debris.
  - Contents whilst temporarily removed.
  - Trace and access (up to SAR 5,000)

#### 4-9-21 Electronic Equipment Insurance

- **Cover provided:** This product provides insurance coverage for all types of electronic equipment including: computers, servers, laptops, mainframes, scanners, printers, photocopiers, digital cameras, projectors etc. The cover has following sections.
  - Section 1 - 'All Risks' coverage on protection of property insured against any sudden and unforeseen loss or damage occurring during the period of insurance.
  - Section 2 – External Data Media such as floppy discs, diskettes, tapes or any electronic storage media. The cost of regenerating data is also covered.
  - Section 3 – Increased Cost of Working. Including overtime charges, equipment hire costs etc. for a temporary period until business as normal is resumed.

Equipment shall be insured according to the equivalent current market value for equipment replacement with new ones or to the cost of the insured equipment of the same type and capacity inclusive of freight, charges & operating costs. Insurance value of the external data media is equivalent to the amount required for regenerating data media by way of reproducing

lost or damaged data into the new media. Regarding the increased cost of working, the client is required to determine a suitable “compensation period” that reflects the regenerating period, cash costs & expenses that it would incur during the same period.

- **Usual Exclusions:** This Policy does not provide insurance coverage in the following cases:
  - War or terrorism risks.
  - Nuclear reaction, nuclear radiation or radioactive contamination.
  - Willful act or gross negligence by the insured.
  - Loss directly or indirectly from earthquakes, volcanoes, tsunami & hurricanes.
  - Theft.
  - Pre-existing faults or defects.
  - Loss & damage resulting out of electrical services’ faults & interruption...etc.
  - Wear and tear.
  - Maintenance incurred costs.
  - Loss or damage on hired or leased equipment for which owner is responsible by law or contract.
  - Consequential loss or liability of any kind.
  - Defects with shape & appearance, such as scratches.
  - Loss or damage on lamps or valves.
  - Costs owing to any faults with programming, labeling and erroneous data deletion...etc.
  - Resulting loss of any kind.
  - Constraints imposed by public authorities for equipment re-initiation or operation.
  - Required funds unavailable to the client for repair & replacement of damaged or destroyed equipment.

### 4-10 Reinsurance

The Company reinsures a portion of the risks that it will assume under its insurance operations to balance its risk exposure and protect its earnings and capital resources in line with the Company bylaws. The Company has entered into programs and agreements with several international reinsurers. The following Table shows the reinsurers with which the Company is dealing:

**Table (4-5): Reinsurers of the Company**

Company	Country	Credit Rating Agency	Credit Rating
SCOR Reinsurance	Malaysia	(Fitch)	A+
Saudi Re for co-operative Reinsurance	KSA	(S&P)	BBB+
India Cooperative Insurance Corporation	India	(AM Best)	A
ACR Retakaful MEA, Bahrain	Bahrain	(AM Best)	A
Tokio Marine & Nichido Fire Insurance Company Ltd	Japan	(AM Best)	A++
Qatar Reinsurance Company LLC ,	Qatar	(S&P)	A
Gulf Reinsurance Ltd.	UAE	(AM Best)	A

Source: ATMC



## 5-2 Board of Directors

The Company is managed by a board comprised of (8) eight members appointed by the ordinary general assembly for a period of no more than three years. The board has subcommittees including the Executive Committee, the Audit Committee, Remuneration and Nomination Committee and the Investment Committee. These committees assist the board to implement its tasks more efficiently and play a role in directing and advising company management.

The main responsibilities of the board are as follows:

- Approve strategic trends and main goals of the Company and supervise its implementation.
- Establish internal bylaws and regulations to control monitoring and general supervision of company operations, and ensure proficiency and efficiency of accounting systems and prepare financial reports and internal audit.
- Establish the Company governance law and policies in such a manner that does not contradict with the rules of companies' governance bylaw issued by the Capital Market Authority, and supervise the efficiency of governance law.
- Establish clear and specific policies, standards and procedures for the board membership, and implement them after approval by the general assembly.
- Establish the policies and procedures that ensure that the Company respects regulations and bylaws and compliance with the disclosure of the essential information for the shareholders, creditors, and other stakeholders.
- Review and direct Company strategy, risk management policies, financial planning, annual budgets and work plans recommended by the Company management.

The Company By-Laws has identified the board authorities as follows:

- Represent the Company in its relations with third parties in particular with private entities, companies, banks, all funds and financing institutions, private and government sectors and before all legal courts, Board of Grievances as well as all judicial and semi-judicial authorities and committees.
- The Right to approve, claim, plead, defend, litigate, concede, conciliate, accept and implement regulations.
- Bidding, sale, purchase and mortgage of real estates.
- Contracting and signing on behalf of the Company on all types of contracts, documents, companies incorporation contracts in which the Company is a party, and all amendments, and amendment resolutions annexes at the notary's public.
- Signing financing agreements, warrantees and bonds to sell and purchase real estates and issue powers of attorney.
- Sale, purchase, concession and concession approval, handover, delivery, renting, leasing, receipt and payment.
- Opening of accounts, guarantees, withdrawal and deposit in the banks.
- Authorize one board member or more or a third party to undertake a specific work or specific works within his authorities.

The Company board of directors is comprised of the following below named members:

**Table (5-1) Board Members**

Name	Post	Age	Nationality	Capacity	Representing	Date of Appointment	Held Shares			
							Direct	%	Indirect	%
Abdul Mohsen bin Abdulaziz Al Faris	Chairman	52	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	962*	0.0048%
Hisato Himada	Member	54	Japanese	Non-Executive/ Non-Independent/	Tokio Marine and Nichido Fire Insurance	14/6/1433H	1.000	0.005%	27**	0.0001%
Fahad bin Mohammed Al Semari	Member	56	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	-	-
Ken Kamikochi***	Member	64	Japanese	Non-Executive/ Non-Independent	Tokio Marine and Nichido Fire Insurance	2/1/1436H	1000	0.005%	-	-
Faisal bin Ibrahim Sweilim	Member	42	Saudi	Non-Executive/ Non-Independent	Sabic Industrial Investments Co.	1/8/1436H	-	-	-	-
Mutlaq bin Hamad Al Morished	Member	56	Saudi	Independent	Public Shareholders	14/6/1433H	51.000	0.255%	42****	0.0002%

Name	Post	Age	Nationality	Capacity	Representing	Date of Appointment	Held Shares			
Essam Abdulaziz Banaja	Member	65	Saudi	Independent	Public Shareholders	14/6/1433H	110	0.00055%	-	-
Khalid bin Abdullah Al Romaih	Member	55	Saudi	Independent	Public Shareholders	14/6/1433H	125	0.00063%	-	-

Source: Company

\* Resulting from his ownership of (1000) shares in Alinma Bank and they are guarantee shares based on article 68 of the Companies Regulations since Mr. Abdul Mohsen bin Abdulaziz Al Faris is a board member of Alinma Bank where he possesses shares.

\*\* Resulting from his ownership of shares in Tokio Marine Holding Company, which fully owns the shares of Tokio Marine and Nichido Fire Insurance

\*\*\* The Company has obtained SAMA's approval to appoint Ken Kamikochi as a non-executive member representing Tokio Marine and Nichido Fire Insurance Ltd to complete the membership period of Abdulrafiq Haroon Jiddawi who resigned from the Board during the year 2014G as stated in the letter of SAMA no. (351000154562), dated 27/12/1435H (corresponding to 21/10/2014G). His appointment was approved by the General Assembly of the Company shareholders held on 1/8/1436H corresponding to 19/5/2015G. Except for Mr. Ken Kamikochi, all board members were appointed by the Constituent Assembly held on 14/6/1433H corresponding to 5/5/2012G.

\*\*\*\* Resulting from his ownership of shares in Alinma Bank

Based on article 68 of Companies Regulations, the board member shall possess a number of shares in the amount of no less than ten thousand Saudi Riyals. These shares are allocated to guarantee his responsibility in the Company management. Members Essam Abdulaziz Banaja, Khalid bin Abdullah Al Romaih and Faisal Ibrahim bin Sweilim will purchase as soon as possible during the year 2015G sufficient number of the Company shares of a total value equal to (SAR 10,000) ten thousand Saudi Riyals.

In line with article 38 (1) of the Implementing Regulations of Cooperative Insurance Companies Control Law, no board member shall possess more than 5% of the Company shares.

In addition, neither the other board members, executive managers nor the board secretary or any of their relatives have any direct or indirect interest in the Company up to the date of this Prospectus.

The ordinary general assembly of the Company shareholders was held on 1/8/1436H corresponding to 19/5/2015G and approved the following:

- The appointment of Ken Kamikochi as a non-executive member to complete the board membership period of Mr. Abdulrafiq Haroun Jiddawi as from 22 October 2014G until the completion of the current board term on 09 June 2015G.
- The election of a board for new term starting 09/06/2015G and for three years as follows:
  - Abdulmohsen Abdulaziz Al Faris, representing Alinma Bank
  - Fahad Mohammed Al Semari, representing Alinma Bank
  - Ken Kamikochi, representing Tokio Marine Nichido Fire Insurance
  - Hisato Hamada, representing Tokio Marine Nichido Fire Insurance
  - Faisal bin Ibrahim Sweilim, representing Sabic Industrial Investments Company.
  - Mutlaq bin Hamad Al Morished
  - Khalid bin Abdullah Al Romaih
  - Dr. Essam Abdulaziz Banaja

Mr. Faisal bin Ibrahim Al Sweilim has been appointed to represent Sabic Industrial Investments Company instead of Mr. Mutlaq bin Hamad Al Morished, who became a member representing the public shareholders. The board membership term of Mr. Khalid bin Mohammed Al Aboudi ended on 9/6/2015G.

Following is a brief profile of the qualifications and experiences of board members:

### Brief Overview on Board Members

Name	Abdulmohsen bin Abdulaziz Al Faris
Nationality	Saudi
Age	52
Current Post	Board Chairman
Date of Appointment	14/6/1433H
Qualifications	<ul style="list-style-type: none"> <li>• Has a Master's degree in Accounting, Western Illinois, United States of America, 1989G</li> <li>• Has a Bachelor's Degree of Accounting, King Saud University, Riyadh, 1982G</li> <li>• A fellow of the American Institute of Chartered Accountants, United States of America, 1995G</li> </ul>

Name	Abdulmohsen bin Abdulaziz Al Faris
Experiences	<ul style="list-style-type: none"> <li>• CEO and Managing Director of Alinma Bank, a Saudi joint stock company operating in the field of Islamic Banking, from 2006G to date.</li> <li>• Deputy Chairman of the Saudi Accounting Standards Committee from 2005 to 2009G</li> <li>• Chairman of GCC Accounting Standards Commission from 2003 to 2006G</li> <li>• CFO in Abdullatif Jamil Company Ltd. From 2004 to 2006G</li> <li>• General Manager, Zakat and Income Authority in the Kingdom from 2000G to 2004G.</li> <li>• Spent 18 years since 1983G in the Saudi Arabian Monetary Agency, where he occupied several posts the last of which was the General Manager of Public Accounting.</li> </ul>
Board Memberships Held	<ul style="list-style-type: none"> <li>• Member of the board of Alinma Bank, a Saudi joint stock company operating in the field of Islamic Banking, from 2006G to date</li> <li>• Member of the board of Alinma Investment Company, a closed joint stock company, operating as an investment company licensed by the Capital Market Authority, 2014G to date</li> <li>• Member of the board of the National Regeneration CHP Company, a closed Saudi joint stock company operating in the field of energy, from 2007G to date.</li> <li>• Member of the board of Dar Al Khozama Real Estate Company, a closed Saudi joint stock company operating in the field of Real Estate, from 2012G to date.</li> </ul>
Previous Boards Memberships	<ul style="list-style-type: none"> <li>• Member of the board of Saudi Arabian Basic Industries Company (SABIC), a Saudi joint stock company operating in the field of petrochemicals, from 2004 to 2011G</li> <li>• Member of the board of Islamic Development Bank, an International Finance entity from 2001 to 2009G</li> <li>• Member of the board of the Saudi Commission for Legal Accountants, a governmental body, from 2003 to 2006G</li> <li>• Member of the board of the General Organization for Social Insurance (GOSI), a governmental public entity, from 2002G to 2005G</li> <li>• Member of the board of Saudi Arabian General Investment Authority, a governmental entity, from 2003 to 2005G</li> <li>• Member of the board of the Saudi Arabian Agricultural Bank, a Saudi governmental bank owned by the Saudi government, 1999 to 2001G</li> </ul>

Name	Hisato Hamada
Nationality	Japanese
Age	54
Current Post	Board Member
Date of Appointment	14/6/1433H
Qualifications	Has a bachelor's degree in Foreign Studies from the University of Tokio for Foreign Studies, Japan, 1982G
Experiences	<ul style="list-style-type: none"> <li>• Executive Officer/ General Manager, Tokio Marine and Nichido Fire Insurance, since 2013G to date.</li> <li>• Managing Director, Hussain Al Owaini and Partners Company Ltd, Previous Agent for Tokio Marine and Nichido Fire Insurance in the Kingdom – Jeddah, since 2000G</li> <li>• General Manager, Arabian Orient Warrantees Company Ltd, Bahrain, and a member of the company board from 2000 to 2007G.</li> <li>• Acting General Manager of Hussain Al Owaini and Partners Company Ltd, previous Agent for Tokio Marine and Nichido Fire Insurance in the Kingdom – Jeddah, 1988 to 2000G.</li> <li>• Occupied several posts in Tokio Marine and Nichido Fire Insurance Ltd. Japan, 1982 to 1988G</li> </ul>
Board Memberships Held	<ul style="list-style-type: none"> <li>• Member of the board of Tokio Marine Company, Egypt Family Takaful, an Egyptian joint stock company operating in the field of insurance, 2013G to date</li> <li>• Member of the board of Tokio Marine Company, Egypt General Takaful, an Egyptian joint stock company operating in the field of insurance, 2013G to date</li> <li>• Member of the board of Arabian Orient Warrantees Company Ltd, Bahrain, a limited liability company operating in the field of insurance and located in Bahrain, 2000G to date</li> <li>• Member of the board of Tokio Marine Middle East Ltd., a limited liability company operating in the field of insurance and located in Dubai, under the supervision of Dubai Financial Services Authority, Dubai, United Arab Emirates, 2007G to date</li> </ul>
Previous Boards Memberships	NA

Name	Fahad bin Mohammed Al Semari	
Nationality	Saudi	
Age	56	
Current Post	Board Member	
Date of Appointment	14/6/1433H	
Qualifications	<ul style="list-style-type: none"> <li>• Has a master's degree in Business Administration, from Kogod Business College, American University, USA, 1989G</li> <li>• Has a bachelor's degree in System Engineering, King Fahad University for Petroleum and Minerals, KSA, 1980G</li> <li>• Advanced Management Program, Harvard Business University, USA, 1997G</li> </ul>	
Experiences	<ul style="list-style-type: none"> <li>• General Manager, Retail Banking Group, Alinma Bank, 2007G to date</li> <li>• CEO, Saudi Arabian Mebian Company, 2005 to 2006G and Deputy CEO, Saudi Arabian Maarifah Network Company, 1999 to 2000G</li> </ul>	
Board Memberships Held	NA	
Previous Boards Memberships	NA	

Name	Ken Kamikochi	
Nationality	Japanese	
Age	64	
Current Post	Board Member	
Date of Appointment	2/1/1436H	
Qualifications	Has a bachelor's degree in Economics, Keio University, Japan, 1973G	
Experiences	<p>Joined Tokio Marine and Nichido Fire Insurance in 1973G and assumed several posts in the Company as follows:</p> <ul style="list-style-type: none"> <li>• Advisor to Tokio Marine and Nichido Fire Insurance, 2014G to date</li> <li>• CEO, Tokio Marine and Nichido for Risks Advisory Services, 2008 to 2014G</li> <li>• Department Head in Tokio Marine and Nichido Fire Insurance, 2007G to 2008G</li> <li>• CEO, Tokio Marine and Nichido Fire Insurance (Europe), 2004G to 2007G</li> <li>• Senior General Manager, Commercial Risks Management, Tokio Marine and Nichido Fire Insurance, 2002 to 2004G</li> <li>• General Manager, Commercial Underwriting Division, Tokio Marine and Nichido Fire Insurance, 2000 to 2002G</li> <li>• General Manager, Production Department, Tokio Marine and Nichido Fire Insurance, 1997 to 2000G</li> <li>• Acting General Manager, Administrative Affairs, and Board Secretary, Tokio Marine and Nichido Fire Insurance, 1993 to 1997G</li> <li>• Manager in Production Division, Tokio Marine and Nichido Fire Insurance, 1989 to 1993G</li> <li>• Representative to Tokio Marine and Nichido Fire Insurance, Al Khobar Office, KSA, 1986 to 1989G</li> </ul>	
Board Memberships Held	NA	
Previous Boards Memberships	NA	

Name	Faisal Ibrahim bin Sweilim
Nationality	Saudi
Age	42
Current Post	Board Member
Date of Appointment	1/8/1436H
Qualifications	Has a bachelor's degree in Accounting, Western Illinois University, USA, 2002G
Experiences	<ul style="list-style-type: none"> <li>• General Manager of Risks Management in the Saudi Arabian Basic Industries Company (SABIC), February 2015G to date</li> <li>• Head of Risks Management, Saudi Arabian Basic Industries Company (SABIC), 2011 to 2015G</li> <li>• Manager in the Company's Risks Management Department, Saudi Arabian Basic Industries Company (SABIC), 2009 to 2011G</li> <li>• Internal Auditor, Saudi Arabian Basic Industries Company (SABIC), 2002 to 2009G</li> </ul>
Board Memberships Held	NA
Previous Boards Memberships	NA

Name	Mutlaq bin Hamad Al-Morished
Nationality	Saudi
Age	56
Current Post	Board Member
Date of Appointment	14/6/1433H
Qualifications	<ul style="list-style-type: none"> <li>• Has a master's degree in Business Administration, Stanford University, USA, 1989G</li> <li>• Has a master's degree of Science, Nuclear Engineering, Princeton University, USA, 1981G</li> <li>• Has a bachelor's degree of science, Nuclear Physics and Mathematics, Denver University, USA, 1979G</li> </ul>
Experiences	<ul style="list-style-type: none"> <li>• CEO, the National Manufacturing Company (Tasnea), beginning of 2015G to date</li> <li>• Vice CEO, Companies Financing, in the Saudi Arabian Basic Industries Company (SABIC), 2004 to 2015G</li> <li>• Vice President for Joint Services, Saudi Arabian Basic Industries Company (SABIC), 2002 to 2004G</li> <li>• President of Minerals Group, Saudi Arabian Basic Industries Company (SABIC), 2000 to 2002G</li> <li>• President of Saudi Steel and Iron Company (Hadeed), 1999 to 2000G</li> <li>• Vice President for Engineering Affairs and Operations, Saudi Petrochemicals Company, 1997 to 1999G</li> </ul>
Board Memberships Held	<ul style="list-style-type: none"> <li>• Member of the board of the National Company for Manufacturing and Minerals Casting, a Saudi joint stock company operating in the field of iron industry and mineral casts, 2015G to date</li> <li>• Chairman of the Board of Alinma Investment Company, a Saudi closed joint stock company, operating as an investment company licensed by the Capital Market Authority, 2014G to date</li> <li>• Member of the board of the Manufacturing and Desert Company for Olefins, a Saudi closed joint stock company operating in the field of chemicals and petrochemicals, February 2015G to date.</li> <li>• Member of the board of the Saudi Company for Polyethylene, a limited liability company operating in the field of chemicals and petrochemicals, February 2015G to date</li> <li>• Member of the board of the Saudi Company for Ethylene and Polyethylene, a limited liability company, operating in the field of chemicals and petrochemicals, February 2015G to date</li> <li>• Member of the board of the National Company Titanium Dioxide (Crystal), a limited liability company operating in the field of producing and marketing Titanium Dioxide, February 2015G to date</li> <li>• Member of the board of Sophisticated Industries Complex Company, a limited liability company operating in the field of establishing Titanium related industrial projects, February 2015G to date</li> <li>• Member of the board of Bahrain Aluminum Company (ALBA), a Bahraini joint stock company operating in the field of aluminum manufacturing, 2013 to 2015G</li> <li>• Chairman of the board of Sabic Capital Company, Holland, a limited liability company fully owned by SABIC, responsible for financing and taxation of SABIC investments in Europe and USA, 2008 to 2015G</li> <li>• Chairman of the board of Yanbu National Company for Petrochemicals (Yansap), a Saudi joint stock company operating in the field of petrochemicals, 2006 to 2015G</li> <li>• Chairman of the board of the Saudi Kayan Company for Petrochemicals, a Saudi joint stock company operating in the field of petrochemicals industries, 2006 to 2015G</li> </ul>

Name	Mutlaq bin Hamad Al-Morished
Board Memberships Held	<ul style="list-style-type: none"> <li>Chairman of the board of Sabic Insurance Company Ltd., United Kingdom, a limited liability company operating in the field of insurance, 2005 to 2015G</li> <li>Member of the board of Electricity and Water Facilities Company in Jubail and Yanbu (Marafeq), a Saudi closed joint stock company operating in the field of operation, maintenance, administration and expansion in the Industrial Cities of Jubail and Yanbu, 1999 to 2006G</li> <li>Member of the Board of the Saudi Company for Iron and Steel (Hadeed), a Saudi closed joint stock company operating in the field of iron industries, 2002 to 2005G</li> <li>Member of the board of Gulf Company for Aluminum Rolling (Garmco) – Bahrain, a Bahraini closed joint stock company operating in the field of aluminum manufacturing, 1999 to 2005G</li> <li>Member of the board of Al Jubail United Petrochemicals United Company, a limited liability company operating in the field of petrochemicals industries, 2000 to 2004G</li> </ul>

Name	Dr. Essam Abdulaziz Banaja
Nationality	Saudi
Age	65
Current Post	Board Member
Date of Appointment	14/6/1433H
Qualifications	<ul style="list-style-type: none"> <li>Has PH. D. in Public Administration, Ein Shams University, Egypt, 1997G</li> <li>Has a master's degree in Business Administration, King Abdulaziz University, Jeddah, 1985G</li> <li>Has a bachelor's degree in Public Administration, King Abdulaziz University, Jeddah, 1979G</li> </ul>
Experiences	<ul style="list-style-type: none"> <li>Took over a group of posts in Al Hamrani United Company (Nissan), a limited liability company operating in the field of selling and marketing vehicles, 1979 to 2006G. The last post was the Vice President of Al Hamrani United Company (Nissan)</li> <li>General Manager, Operations, Citi Bank, Kingdom of Saudi Arabia, Jeddah – a joint stock company operating in the field of banking sector, Jeddah, KSA, 1976 to 1979G</li> </ul>
Board Memberships Held	NA
Previous Boards Memberships	NA

Name	Khalid bin Abdullah Al Romaih
Nationality	Saudi
Age	55
Current Post	Board Member
Date of Appointment	14/6/1433H
Qualifications	Has a bachelor's degree of Philosophy (Psychology), King Saud University, 1986G
Experiences	<ul style="list-style-type: none"> <li>Khalid Abdullah Al Romaih joined Saudi ARAMCO in 1976G in the capacity of Advisor to Government Personnel. He then progressed in his career until he occupied the position 'ARAMCO Acting Manager", Saudi ARAMCO Affairs, 2007G to date</li> </ul>
Board Memberships Held	NA
Previous Boards Memberships	NA

## Overview of Board Secretary

Name	Jun Hemmi
Nationality	Japanese
Age	54
Current Post	Board Secretary and Company CEO
Date of Appointment	12/4/1436H
Qualifications	Has a bachelor's degree in Law, Keio University, Japan, 1983G
Experiences	<ul style="list-style-type: none"> <li>• CEO, Tokio Life Insurance Holding Company (Middle East), 2014 to 2015G</li> <li>• Associate President in Tokio Holding Company and General Manager of International Business Development, 2013 to 2014G</li> <li>• CEO, Edelweiss Tokio Life Insurance Company, 2010 to 2014G</li> <li>• Chief of Technical Operations, Tokio Marine Company (Asia) Ltd., 2004 to 2010G</li> <li>• CEO, IFFCO General Insurance Company (India), 2000G to 2004G</li> <li>• Team Leader, International Business Administration, Tokio Marine and Nichido Fire Insurance, 1996 to 2000G</li> <li>• Representative of Tokio Marine and Nichido Fire Insurance in Hussain Al Oweini and Partners Company – Jeddah (Previous Agent for Tokio Marine and Nichido Fire Insurance), 1992 to 1996G</li> </ul>
Board Memberships Held	<ul style="list-style-type: none"> <li>• Member of the board of Tokio Marine (Middle East – Dubai), a closed joint stock company operating in the field of Insurance, 2014G to date</li> <li>• Member of the board of Edelweiss Tokio Life Insurance Company (India), a closed joint stock company operating in the field of insurance, 2013G to date</li> </ul>
Previous Boards Memberships	<ul style="list-style-type: none"> <li>• Member of the board of Tokio Marine Life Insurance Company (Indonesia), a closed joint stock company operating in the field of insurance, 2013 to 2014G</li> <li>• Member of the board of AEG Company, a closed joint stock company operating in the field of insurance, 2010 to 2014G</li> <li>• Member of the board of Tokio Marine Life Insurance Company (Malaysia), a closed joint stock company operating in the field of insurance, 2007 to 2009G</li> <li>• Member of the board of Asia Holding Company (Singapore), a closed joint stock company operating in the field of insurance, 2006 to 2009G</li> <li>• Member of the board of Tokio Marine Takaful (Malaysia), a closed joint stock company operating in the field of insurance, 2006 to 2009G</li> <li>• Chairman of the board of Tokio Marine Insurance Company (Singapore), a closed joint stock company operating in the field of insurance, 2006 to 2008G</li> <li>• Chairman of the board of Tokio Marine Life Insurance Company (Singapore), a closed joint stock company operating in the field of insurance, 2006 to 2008G</li> <li>• Member of the board of Tokio Marine Nichido Company (Rea Takaful) (Singapore), a closed joint stock company operating in the field of insurance, 2006 to 2009G</li> <li>• Member of the board of Tokio Marine Nawa (Taiwan), a closed joint stock company operating in the field of insurance, 2006 to 2008G</li> <li>• Tokio Marine Life Insurance Company (Thailand), a closed joint stock company operating in the field of insurance, 2006 to 2007G</li> <li>• Member of the board of Vietnam International Insurance Company, a closed joint stock company operating in the field of insurance, 2005 to 2006G</li> </ul>

### 5-3 Company Executive Management

The Company management works in line with the internal authorities' bylaws, which stipulates clearly the responsibilities of senior managers, authority and delegation levels and authority to contract with third parties. The bylaws stipulates the authorities of leading positions. Following is a table showing senior executives of the Company:

**Table (5-2): Senior Executives**

Name	Post	Nationality	Age	Date of Appointment
Jun Hemmi	Chief Executive Officer	Japanese	54	1/2/2015G
Farid Faruq Khimani	Chief Financial Officer	Pakistani	42	3/6/2011G
Takayuki Ueda	Chief Operations Officer (COO)	Japanese	48	23/7/2013G
Syed Raza Haider	Chief Actuary and Chief Risk Officer	Pakistani	35	10/4/2011G
Faisal Ali Abdulrahman Almisfer	Head Of Legal and Compliance	Saudi	38	17/3/2014G
Vacant	Head of Human Resources	-	-	-
Vacant	Head of Support Services	-	-	-
Vacant	General Manager Business Development	-	-	-

Source: Company

\* The senior executives do not possess, directly or indirectly, any shares in the Company

\*\* Employing personnel for vacant positions is underway. Priority is for Saudi Nationals

Refer to Section (5-2) to review the brief resume of the CEO since his resumes indicates him as a board secretary

Name	Farid Faruq Khimani
Age	42
Nationality	Pakistani
Current Post	Chief Financial Officer
Date of Appointment	3/6/2011G
Qualifications	<ul style="list-style-type: none"> <li>• Has a bachelor's Degree of Commerce, University of Karachi, Pakistan, 1992G</li> <li>• Has an internal audit certificate, Institute of Internal Auditors, USA, 1999G</li> <li>• Has a certified information systems auditor certificate, Information Systems Audit and Control Committee, USA, 2000G</li> <li>• Fellow of Life Insurance Administration, USA, 2004G</li> </ul>
Experiences	<ul style="list-style-type: none"> <li>• Finance Manager, Nour Takaful Company, United Arab Emirates, 2009 to 2011G</li> <li>• Finance Manager and Head of Internal Audit, SABB Takaful, 2007 to 2009G</li> <li>• Executive Manager, Audit and Compliance, Taamir Microfinance Bank Ltd, 2006 to 2007G</li> <li>• Chief Accountant, American Life Insurance Company (Pakistan), 2003 to 2006G</li> <li>• Assistant Finance Manager, Orix Leasing Company Ltd., 2000 to 2002G</li> <li>• Assistant Manager, AF Ferguson and Partners, Chartered Accountants, 1997 to 2000G</li> </ul>
Board Memberships Held	NA
Previous Boards Memberships	NA

Name	Takayuki Ueda	
Age	48	
Nationality	Japanese	
Current Post	Chief Operations Officer (COO)	
Date of Appointment	23/7/2013G	
Qualifications	Has a bachelor's degree of Arts, Rikky University, Japan, 1989G	
Experiences	<ul style="list-style-type: none"> <li>• Acting General Manager, IFFCO Tokio General Insurance Company, India, 2008 to 2013G</li> <li>• Motor Insurance Sales Manager, Tokio Marine and Nichido Fire Insurance, Yamaguchi Branch, Japan, 2004 to 2008G</li> <li>• Motor Insurance Sales Manager, Tokio Marine and Nichido Fire Insurance, Hiroshima Branch, Japan, 2002 to 2004G</li> <li>• Assistant Manager, Motor Factories Insurance Manager, Tokio Marine and Nichido Fire Insurance, Japan, 1996 to 2002G</li> <li>• Assistant Manager, Motor Insurance Sales, Tokio Marine and Nichido Fire Insurance, Kromy Branch, Japan, 1993 to 1996G</li> <li>• Administration staff, Personnel, Tokio Marine and Nichido Fire Insurance, Kromy Branch, Japan, 1989 to 1993G</li> </ul>	
Board Memberships Held	NA	
Previous Boards Memberships	NA	

Name	Syed Raza Haider	
Age	35	
Nationality	Pakistani	
Current Post	Actuary and Chief Risk Officer	
Date of Appointment	10/4/2011G	
Qualifications	Fellow of Institute and College of Actuaries, United Kingdom, 2006G	
Experiences	<ul style="list-style-type: none"> <li>• Manager of Actuary, SABB Takaful, 2007 to 2011G</li> <li>• Vice President and Manager of Insurance and Takaful Consulting Division, Noman Association Company (Actuary Advisor), Pakistan, 2002 to 2007G</li> <li>• Assistant Vice President, SAAB Takaful, 2002 to 2005G</li> <li>• Assistant Senior Actuary, Hayder Murshed Women Association (Actuary Advisor), Pakistan, 1998 to 2002G</li> </ul>	
Board Memberships Held	NA	
Previous Boards Memberships	NA	

Name	Faisal Ali Abdulrahman Almisfer
Age	38
Nationality	Saudi
Current Post	Head Of Legal and Compliance
Date of Appointment	17/3/2014G
Qualifications	Has a bachelor's degree of Business Administration, King Saud University, 1999G
Experiences	<ul style="list-style-type: none"> <li>• Executive Manager (Compliance and Anti-Laundering Department, Al Ahlia Insurance Company, 2011 to 2013G</li> <li>• Investors Relations Manager, Malath Cooperative Insurance Company, 2007 to 2011G</li> <li>• Operations Manager, International and Local Shares Trading, Saudi Investment Bank, 2001 to 2006G</li> <li>• Central Area Sales Supervisor, AL Faisalial Holding Group – Al Safi Danon, 1999 to 2001G</li> </ul>
Board Memberships Held	NA
Previous Boards Memberships	NA

## 5-4 Main Departments

### 5-4-1 Operations include the following Departments :

#### Underwriting

It operates under the direct supervision of the Chief Operating Officer and carries out the following duties:

- Assess risks for proposals submitted for new policies.
- Specify classification, relevant ratios and premiums.
- Prepare and issue insurance policies and re-assess policies upon renewal.
- Renew, cancel and approve insurance policies as required.
- Ensure that the policies issued comply with the terms and conditions approved by clients and brokers.
- Maintain statistical and technical data for review and utilization in pricing and technical performance measurement.
- Specify risk ratio related to issued policies that will be covered by the Company and transfer of surplus ratios to re-insurance companies and ensure compliance of risks levels with company policies.
- Prepare reports, data and statistics on the division tasks business and follow up sending them to the concerned departments periodically.

#### Claims

The main duties of this division include the following:

- Document and register claims.
- Assess the acceptance of claim and compliance with terms, conditions and exclusions of the policy.
- Seek the help of international and local consulting offices to assess losses before compensation.
- Prepare loss reserves in line with the limits of assessment and claim policy.
- Coordinate with the re-insurers with respect to their claim shares.
- Maintain accurate records of claims reserves and payments.
- Maintain statistical and technical data for review and utilization in pricing and technical performance.
- Ensure deductibles are refunded on timely basis from third parties and other insurance companies.

#### Re-Insurance

Re-insurance is a mechanism by which insurance companies aim to reduce risks through transferring part of the insured risks from the Company to re-insurance companies thereby reducing potential risks and losses. The Company has concluded several re-insurance agreements with a number of local and international companies, with at least a credit classification for re-insurance companies of no less than BBB. This department carries out the main following duties:

- Analyze, study, assess and ensure that re-insurance agreements suit the Company requirements and policies.
- Manage company relations with re-insurance companies.

- Follow up agreements implementation with the different insurance divisions regarding agreed upon terms and conditions.
- Guarantee risks with minimum prices.
- Analyze re-insurance companies and prepare internal assessments.
- Comply with and work in line with the re-insurance organizational regulations issued by the Saudi Arabian Monetary Agency.
- Distribute the volume of re-insurance load to re-insurers inside and outside the kingdom.

#### 5-4-2 Finance

Finance Department carries out the following main duties:

- Draw up financial statements, provide information and monitor compliance with the accounting standards adopted by the company as well as the accounting and financial procedures for the investment portfolio, general as well as technical accounting.
- Ensures applying the general framework and systems that suits the financial policy so that the division contributes effectively to the development of the general strategy.
- Prepare monthly and quarterly reports for the management.
- Develop and apply the systems effective to reduce general cost.
- Follow up and assess investment performance and apply the investment strategy prepared by the Investment Committee.
- Manage company cash flows on weekly, monthly, quarterly and annual basis.
- Communicate with the Income Tax and Zakat Department of Government.
- Prepare and provide annual income and tax declarations.
- Provide advice to company management on major financial issues.

#### 5-4-3 Information Technology

This Departments undertakes the following tasks:

- General supervision of the Company's information technology activities.
- Develop the division's services and potentials to support the Company strategic goals.
- Ensure that sufficient resources and systems are available to meet the Company operational needs in line with requirements of its business.
- Ensure the systems are able to provide the required reports for all operational departments in line with the requirements of the supervisory and regulatory authorities.
- Manage information protection process and provide relevant security measures to attain a highest degree of information security.
- Update the Company database and website periodically.
- Establish and implement an effective system to retrieve data in case of system crash.

#### 5-4-4 Legal and Compliance Department

While the Legal and Compliance Department reports functionally to the Audit Committee, it reports administratively to the CEO. The department is responsible for the following main tasks:

- Ensure that the Company applies the relevant laws and regulations issued by all regulatory authorities such as the Saudi Arabian Monetary Agency, the Saudi Capital Market Authority and the Cooperative Health Insurance Council.
- Provide effective support to company management in determining compliance risks.
- Ensure the establishment of a suitable framework for the company governance in order to meet the internal and external regulatory and organizational requirements.
- Ensure that all daily functions conform with the instructions issued by the regulatory authorities that govern the Company work.
- Coordinate with Finance and other departments to ensure that all regulatory reports requirements are complied with on timely basis.
- Ensure compliance with the Company principles, values, and other laws and regulations applicable in the Kingdom of Saudi Arabia.
- Keep enough records to prove compliance with internal and external by-laws.
- Inform the Audit Department, which reports to the Company board of directors in the event of any violations or risks related to compliance or applying the regulations and bylaws issued by the regulatory authorities, which are related to the Company performance and its relations with shareholders and the market.

#### **5-4-5 Human Resources and Administrative Affairs**

This department is responsible for the following main tasks:

- Prepare employees-related policies and provide the Company with the different manpower needs.
- Prepare monthly payrolls, GOSI subscription fees and calculates company personnel end of service awards.
- Provide annual evaluation of company personnel in line with the evaluation systems and employee-related objectives.
- Ensure the Company's compliance with the Saudization requirements, implement Saudization plan and provide programs to assist and develop employees.
- Work with the Human Resources Development Fund, Saudi Arabian Monetary Agency and Banking Institute to provide training courses for the Saudi personnel in the Company.
- Assist in establishing a suitable organizational structure and identify needs and priorities in terms of developing human resources and training.
- Identify personnel requirements to meet company needs and goals in coordination with other departments and divisions.
- Monitor implementation of human resources organizational guide and ensure all departments and division comply with it.

#### **5-4-6 Internal Audit**

The Company has appointed Protiviti Company, a known company specialized in the provision of internal audit services to companies, to carry out internal audit for the Company. Protiviti has prepared a complete guide to carry out internal audit and prepare required reports for submission to the Audit Committee, in line with the internal audit plan approved by the board of directors.

#### **5-4-7 Business Development**

This department is responsible for the development of company business and products and achieving company goals by diversifying products, identifying pricing policies, expanding company clients' base and keeping them, including governmental and semi-governmental institutions, companies, small organizations and individuals. The department is concerned with meeting clients' needs, monitoring quality of provided services, responding to any complaints or suggestions submitted by company clients as well as supervising work progress in company branches.

### **5-5 Declarations of Board Members, Board Secretary and Senior Executives**

The board members, board secretary and company senior executives to the date of this Prospectus, excluding what has been disclosed in other locations of this Prospectus, hereby declare as follows:

- That at no time any board member, the board secretary or any of the Company senior executives has been declared insolvent or bankrupt and has been subject to bankruptcy measures.
- That no one of them has been, during the previous five years, a board member or in an administrative or supervisory post in a company that faced bankruptcy.
- That no board member neither any senior executive nor the board secretary nor any of their relatives has any direct or indirect interest in company shares except as stated in Section (5-2) "Board Members" of this Prospectus.
- That the Company has not in the past issued any debts instruments nor has it declared issuance of such instruments.
- As disclosed in Section (12) (Legal Information) of this Prospectus, that neither the board members, the board secretary and senior executives nor their relatives and subordinates have any interest in any valid or proposed contract or arrangement in relation to company business upon submission of this Prospectus.
- As stated in (Capitalization and Indebtedness) of this Prospectus, there has been no substantial adverse change in the financial and commercial position of the Company during the past three years immediately preceding the date of registration, application and acceptance of listing the new Rights Issue in addition to the period included in the report of the chartered accountant until approval of the Prospectus.
- That no commercial activity or any assets are present outside the Kingdom of Saudi Arabia.
- That the Company has no subsidiaries or sister companies inside or outside Kingdom.
- That there has been no interruption in the issuer business that may have impact or has significantly affected the final position during the past 12 months.
- That the board members, board secretary and senior executives have not been granted any commissions, discounts, brokerage fees or non-cash compensation related to issuing or offering any securities by the issuer during the three years immediately preceding the date of applying for registration and acceptance of listing in relation to issuing or offering securities.

- As stated in (Capitalization and Indebtedness) of this Prospectus, the Company has not in the past issued any debt instruments and has not declared the issuance of such instruments.
- As stated in (Capitalization and Indebtedness) of this Prospectus, the Company has no material assets under mortgage or burden or any other Rights.
- As stated in (Capitalization and Indebtedness) of this Prospectus, the Company has no potential obligations nor has it submitted any guarantees for the benefit of other parties.
- After review of the cash flows, the working capital of the Company is sufficient for twelve months which immediately follows the date of this Prospectus.
- That they have no authorities or Rights to borrow from the Company.
- All substantial matters related to the Company and its financial performance have been disclosed in this Prospectus and that there are no other facts if not included in this Prospectus would mislead shareholders.
- Their compliance with article (69) and article (70) of the companies law in relation to contracts and transactions with relevant parties as follows:
  - All contracts and transactions with relevant parties are submitted to the board of directors for approval and then submitted to the ordinary general assembly for approval provided the relevant board member shall abstain from voting on the resolution of the board and the ordinary general assembly.
  - The board members ensure that they will not compete with the Company business and will deal with relevant parties based on pure commercial basis.
  - The Company By-Laws does not grant any board member or the executive manager the Right to vote on any contract or suggestion in which they have interest, neither does it give any of them the Right to vote on any bonuses granted to them or any authorities that allow the board members or company senior executives to borrow from the Company.

The board members further declare:

- That the Company has no intention or trend to make any substantial change in the nature of company business.
- That there are no abiding policies and important information related to research and development of new products and the methods followed for the production during the three years immediately preceding the date of this Prospectus, and that no current or suggested employment contracts are present for the board members until the date of this Prospectus.
- That the Company does not have currently and program for allocation of shares to its personnel or any other arrangements for company personnel to have a capital share.
- That the Company will comply with the Company governance mandatory regulation.

## 5-6 Compensations and Remunerations for Board Members and Senior Executives

The compensations and remunerations for the board members are proposed by the Remunerations and Nominations Committee in line with the By-Laws of the Company and the resolutions issued in this regard. The compensations and remunerations are submitted to the board in preparation for approval by the ordinary general assembly. The following table shows the remunerations, benefits and wages obtained by board members as well as the salaries, remunerations and allowances for five of the senior executives including the CEO and the Chief Financial Officer during the years 2012G, 2013G and 2014G.

**Table (5-3), Annual Wages, Remunerations for the Board and Executive Management**

Statement	2012G (in thousand Saudi Riyals)	2013G (in thousand Saudi Riyals)	2014G (in thousand Saudi Riyals)
Board Members	595	1.020	1.001
Senior Executives (Including CEO and CFO)	4.907	5.430	4.871
<b>Total (SR)</b>	<b>5.502</b>	<b>6.450</b>	<b>5.872</b>

Source: Company

## 5-7 Appointment of Board Members, CEO, CFO and Determining Their Responsibilities and Remunerations

### Board Members

The board members are appointed by the shareholders' general assembly, pursuant to the conditions and criteria stated in the Company By-Laws and the governance bylaws and after approval of the SAMA. The first board was appointed by the constituent assembly for a three-year term ending in June 2015G.

The Company By-Laws has stipulated the board authorities as follows:

- Represent the Company in its relations with third parties, particularly with private entities, companies, banks, all financing funds and establishments, governmental bodies, all Sharia (legal) courts, Board of Grievances as well as all judicial and semi-judicial authorities and committees.
- The Right to approve, claim, plead, defend, litigate, concede, reconcile and acceptance of implementation of verdicts.
- Bidding, sale, purchase and mortgage of real estates.
- Contracting and signing in the name and on behalf of the Company on all types of contracts, documents, all contracts of establishing companies in which the Company is a partner as well as their amendments, and amendment resolutions annexes at the notary's public.
- Sign all financing agreements, guarantees, warrantees and bonds to sell and purchase real estates and issues of representations.
- Sell, purchase, concede and accept, receive, deliver, rent, lease, receipt and pay.
- Opening of accounts, credits, withdrawals and deposits in the banks.
- Authorize one member or more or a third party to undertake (a) specific work(s) within his authorities.

The board has also a number of responsibilities, general and strategic, as follows:

- Approve company strategic trends and main goals and supervise their implementation.
- Setup internal regulations and bylaws to monitor the general control and supervision process on all company operations and ensure proficiency and efficiency of accounting systems as well as preparing the financial and internal audit reports.
- Setup the Company governance systems and policies in a manner that does not contradicts with the Company governance regulations bylaws issued by the Capital Market Authority and supervise the efficiency of the governance system policies.
- Setup clear and specific policies, standards and procedures for board membership and implement them.
- Setup the policies and procedures which guarantee company respect to the laws and regulations and compliance to disclose all substantial information for shareholders, creditors and other stakeholders.
- Review and direct company strategies, risk management policies, financial planning, annual budgets and work plans recommended by the Company management.

The board will appoint one of the members a chairman to the board, who shall have the authority to sign on behalf of the Company and implement board resolutions within the limits stipulated in the Company By-Laws.

Pursuant to the Company By-Laws, the remuneration of the chairman for the services provided by him shall be SR180,000 annually, while the remuneration for board members shall be SR120,000 annually. No board member has conceded any of his salaries or compensations. There are no privileges in kind for board members or company senior management.

### CEO and Executive Management

The board shall appoint an CEO for the Company and other senior executives and shall determine their authorities and remunerations. The Company executive management has been appointed as follows:

- **CEO: Mr. Jun Hemmi**  
Starting Date: 1/2/2015G
- **Chief Financial Officer: Mr. Farid Faruq Khimani**  
Starting Date: 3/6/2011G
- **Actuary and Chief Risk Officer Mr. Syed Raza Haider**  
Starting Date 10/4/2011G
- **Chief Operations Officer : Mr. Takayuki Ueda**  
23/7/2013G

- **Head of Legal Affairs and Compliance: Mr. Faisal Ali Abdulrahman Almisfer**

Starting Date: 17/3/2014G

Employment contracts stipulating manager's authorities and remunerations have been signed with the aforementioned senior executives (Please refer to Employment Contracts of Senior Executives (7-12) for more details on contract conditions). Refer also to the Company Executive Management Section for more information on the resume of each of the senior executives.

## 5-8 Company Governance

The Company is committed to follow and apply governance criteria which fully comply with all mandatory requirements stated in the companies governance bylaws and amendments thereto issued by the Capital Market Authority.

The board recognizes that the efficient control and management are significant indicators of company success. The Company is committed to the best governance standards by applying a clear transparency and disclosure executive framework to ensure that the board is working to achieve the best interests of shareholders and provide a real, clear and just picture on the financial status of the Company and results of its operations. The Company has adopted a policy that regulates conflict of interests and another policy for the standards and procedures for the appointment of board members and detailed policies and procedures for disclosure. The Company is also committed to apply all regulations and laws issued by the supervisory and regulatory authorities, which apply to the Company.

The Company has a clear breakdown of responsibilities of the approved internal authorities, including the supervisory role of the board and the Company senior management in addition to the systems and controls on internal audit. The Company has appointed Protiviti Company, a known company specialized in the provision of internal audit services to companies, to carry out internal audit for the Company. Protiviti has prepared a complete guide to carry out internal audit and prepare required reports for submittal to the Audit Committee, in line with the internal audit plan approved by the board of directors.

The Company has also highly professional and specialized external auditors who provide annual reports on the Company activities. Following is a summary of the Company governance framework applicable in the Company.

Pursuant to the Company By-Laws and the companies' governance bylaws, the board has appointed a number of committees to enable the board to carry out its duties in a better and more efficient manner. The board, upon formation of these committees, has complied with the provisions of the companies governance bylaws.

### The Executive Committee

The Executive Committee consists of four members appointed based on nomination by the Nominations and Remunerations Committee for three years term. The goals of Executive Committee are generally to assist the board and CEO in carrying out the executive works and supervision of implementing the resolutions of the shareholders' general assembly as well as the board resolutions in order to achieve company goals and protect the interests of shareholders and investors.

The tasks of the Executive Committee are summarized as follows:

- Review and approve any amendments to the Company work regulations and policies.
- Communicate with the Executive Management to submit the company strategy, agree on the business policy guidelines pursuant to the approved company strategy.
- Assist and provide advice to the board in the subjects which the board requests from the committee.
- Present to the board the Company budget and five year plan after approval and verification of budgets and plans.
- Guarantee suitable levels of delegating authority to the Company senior management.
- Guarantee the presence of an organizational and administrative effective structure that meets the Company's procedures for the effective implementation of the work plan.
- Supervise company performance, including performance of agreed upon key indicators in all company business aspects and provide reports to the board as needed.
- Assess company risks to reduce them and observe such risks on a continuous basis.

The Executive Committee is comprised of the following:

**Table (5-4), Executive Committee Members**

Hisato Himada	Committee Chairman	Board Member – Non-Executive/ Non-Independent
Hisato Hamada	Committee Chairman	Board Member – Non-Executive/ Non-Independent
Abdulmohsen bin Abdulaziz Al Faris	Committee Member	Board Member – Non-Executive/ Non-Independent
Ken Kamikochi	Committee Member	Board Member – Non-Executive/ Non-Independent
Khalid Abdullah Al Romaih	Committee Member	Board Member – Non-Executive/ Independent

Source: Company

Refer to (5-2) Board Members to review the resumes of the executive committee members.

The following table shows the number of meetings of the Executive Committee during the last three years.

Year	2012G	2013G	2014G
Number of Meetings	4	7	6

The previous membership of executive committee members has ended with the end of the first board term on 9/6/2015G. Then, the Company board meeting was held in its second term on 10/6/2015G. During this meeting, the board committees' members were appointed. The appointment of Mr. Abdulmohsen bin Abdulaziz Al Faris as a member in the Executive Committee replacing Mr. Fahad Mohammed Al Semari has been approved. The membership of Executive Committee members expires on 9/6/2018G.

### Audit Committee

The Audit Committee is comprised of three members the majority of them are appointed from other than board members for three years term. The Head of the Audit Committee and its members are appointed by the board provided that at least one member of the committee has a specific experience in accounting and financial matters.

The tasks of the Audit Committee are summarized as follows:

- Submit to the board recommendations on the appointment, re-appointment and dismissal of the Company external auditor prior to submittal to the shareholders for approval in the general assembly meeting (The committee is responsible directly for approving the fees and conditions of appointing external auditors).
- Submit recommendations to the board on the appointment of Internal Audit Head, Actuary Head and compliance officers after obtaining a written no objection from the Saudi Arabian Monetary Agency.
- Review and monitor external auditors independence and efficiency of audit process taking into consideration the relative professional and regulatory requirements.
- Guarantee the independence of Internal Audit Head and compliance officers in carrying out their duties and that neither any constraints on their work nor any obstacles that may have adverse effect on their work are present.
- Follow up the reports issued by the Saudi Arabian Monetary Agency and relevant regulatory authorities, in addition to any international developments and submit related recommendations to the board.
- Monitor the soundness of company financial information and any announcements on the financial performance of the Company or the complementary regulatory information, and review of the financial reports stated in it.
- Discuss with the external auditors the general methodology, nature and audit commitments, prepare their reports before audit, including particularly any problems unsolved by accounting, audit as well as reserves resulting from temporary review and final audit (including all important accounting policies and practices utilized by the Company and changes thereto).
- Observe and review the efficiency of internal audit function, review of main results and management response, and ensure that the internal audit function is well esteemed in the Company and free of any restrictions imposed by the management and any other restrictions.

**Table (5-5) Audit Committee Members**

Name	Capacity	Board Membership
Mutlaq Hamad Al Morished	Committee Chairman	Board Member – Non-Executive/ Non-Independent
Fahad bin Abdullah Al Issa	Committee Member	Not a Board Member
Abdullah bin Abdulrahman Al Rowais	Committee Member	Not a Board Member

Following is a brief profile of Audit Committee Members:

Name	Fahad bin Abdullah AL Issa
Age	32
Nationality	Saudi
Current Post	Audit Committee Member
Date of Appointment	14/6/1433H
Qualifications	<ul style="list-style-type: none"> <li>Has a master's degree in Business Administration, Ohio State University, USA, 2010G</li> <li>Has a bachelor's degree in Business Administration, Southern Methodist University, USA, 2006G</li> </ul>
Experiences	<ul style="list-style-type: none"> <li>CEO of Investment, Amias Holding Company, KSA, 2013G to date</li> <li>Investment Banking officer, Jadwa Investment Company, KSA, 2010 to 2013G</li> <li>Financial Analyst in JB Morgan Bank, United Kingdom, 2006 to 2008G</li> <li>Fahad Al Issa is a board member and a member of the committee of the following companies:</li> <li>Member of the board of the National Company for Medical Care, a listed joint stock company, KSA, since 2015G to date</li> <li>A member of the Audit Committee in the National Company for Medical Care, a listed joint stock company, KSA, since 2015G to date</li> <li>Member of the board of Amias Holding Company, a limited liability company, since 2013G to date</li> <li>A member of the Investment Committee in Amias Holding Company, a limited liability company, since 2013G to date</li> <li>Member of the board of Sokoon International Company, a closed joint stock company, 2011 to 2014G</li> <li>Member of the Strategic Committee in Sokoon International Company, a closed joint stock company, 2011 to 2014G</li> <li>Member of the Nominations and Remunerations Committee in Sokoon International Company, a closed joint stock company, 2011 to 2014G</li> </ul>

Name	Abdullah bin Abdulrahman Al Rowais
Age	51
Nationality	Saudi
Current Post	Audit Committee Member
Date of Appointment	14/6/1433H
Qualifications	<ul style="list-style-type: none"> <li>Has a master's degree in Computer Science and Information Technology, University of Michigan, USA, 1997G</li> <li>Has a high diploma in Accounting, University of Boulder, Colorado, USA, 1996G</li> <li>Has a bachelor's degree of Accounting, King Saud University, 1992G</li> </ul>
Experiences	<ul style="list-style-type: none"> <li>Head of Audit Department in Ittihad Ittasalat Company (Mobily), 2007 to date</li> <li>Manager of Information Technology Audit, ARAMCO, during the year 2007G</li> <li>Sabb Applications Manager and Design Department, ARAMCO, 2006 to 2007G</li> <li>Information Systems Auditor, ARAMCO, 2004 to 2006G</li> <li>Senior Internal Auditor, ARAMCO, 2000 to 2004G</li> <li>Internal Auditor, Saudi Arabian Monetary Agency (SAMA), 1992 to 2000G</li> </ul>

Please refer to Section (5-2) "Board Members" to see the resume of Mr. Mutlaq Hamad Al Morished

Following is a table showing the number of Audit Committee meetings in the last three years:

Year	2012G	2013G	2014G
Number of Meetings	3	4	5

The membership of previous Internal Audit members has ended with the expiry of the first term of the Company board of directors on 9/6/2015G. Then the first meeting of the board in his second term was held on 10/6/2015G and during which the board emanating committees members were appointed. The renewal of the membership of Audit Committee members has been approved and the current Audit Committee membership will expire on 9/6/2018G.

### Remunerations and Nominations Committee

The Remunerations and Nominations Committee is comprised of three members the majority of them is appointed from members other than the executive board members for three years term. The tasks of the Remunerations and Nominations Committee are summarized as follows:

- Recommend assessment of prospective candidates for the membership of board committees, the Shariah Committee as well as the candidates for the 'CEO' Post.

- Recommend to the Board of Directors prospective candidates for appointment to membership of the board in accordance with the approved policies and standards while observing that no person who has been previously convicted of any honor or honesty crime is nominated for such membership.
- Undertake annual review of the needs and suitable skills required for membership of the board and prepare a description of the required capabilities and qualifications for such membership, including the time that a board member should reserve for the board's activities.
- Review the structure of the board and recommend amendments.
- Determine the board points of strength and weakness and recommend remedies that suit the Company's interests.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest if a board member is holding board membership in other companies.
- Ensure that all key responsible persons meet and suit the needed requirements.
- Prepare clear policies in respect of the indemnities and remunerations of board members and senior executives, while observing in preparing such policies the utilization of performance related criteria.

**Table (5-6) Members of Remunerations and Nominations Committee**

Name	Capacity	Board Membership
Khalid Abdullah Al Romaih	Committee Chairman	Board Member – Non-Executive/ Non-Independent
Hisato Hamada	Committee Member	Board Member – Non-Executive/ Non-Independent
Essam Abdulaziz Banaja	Committee Member	Board Member – Non-Executive/ Independent

Please refer to Section (5-2), "Board Members" to review the resumes of Remunerations and Nominations Committee Members.

Two meetings were held on 5/5/2014G and on 5/12/2014G

The membership of previous Remunerations and Nominations Committee members has ended with the expiry of the first term of the Company board of directors on 9/6/2015G. Then the first meeting of the board in his second term was held on 10/6/2015G and during which the committees members were appointed. The renewal of membership of Remunerations and Nominations Committee members has been approved and the current Remunerations and Nominations Committee membership will expire on 9/6/2018G.

### Investment Committee

The Investment Committee is composed of four (4) members appointed by the board based on a recommendation by the Remunerations and Nominations Committee for three years term. The tasks of the Investment Committee are as follows:

- Prepare, formulate, follow up and submit the company investment policy to the board for review and approval annually prior to implementation.
- Identify investment goals and establish the required plans, including:
  - Develop investment plans and policy and ensure their compliance with the applicable regulations and laws applicable in the Kingdom, and ensure that they do not contradict with the Company internal policies and procedures.
  - Establish medium and long term goals and plans for approval by the board.
- Recommend the appointment of Investment Manager, evaluate his performance and establish appointment standards and requirements in participation of the CEO and Remunerations and Nominations Committee.
- Formulate investment policy and review of investment activities implementation on quarterly basis. These activities include without limitation the following:
  - Review of the performance of each assets category.
  - Observe policy comprehensive risks.
  - Submit performance review report to the board.
- Annual review of investment general policy proficiency and remedy of previous risks.

**Table (5-7) Members of Investment Committee**

Name	Capacity	Board Membership
Fahad Mohammed Al Semari	Committee Chairman	Board Member – Non-Executive/ Non-Independent
Faisal bin Ibrahim bin Sweilim	Committee Member	Board Member – Non-Executive/ Non-Independent
Jun Hemmi	Committee Member	Not a Board Member – Company CEO

Source: Company

Year	2012G	2013G	2014G
Number of Meetings	2	3	2

The membership of previous Investment Committee members has ended with the end of the first board term on 9/6/2015G. Then, the first company board meeting was held in its second term on 10/6/2015G. During this meeting, committees members were appointed. The appointment of Mr. Faisal bin Ibrahim bin Sweilim as a member in the Investment Committee and the membership of Mr. Fareed Farouq Khimani was not renewed. The membership of Investment Committee members expires on 9/6/2018G.

The ordinary general assembly meeting was held on 1/8/1436H (corresponding to 19/5/2015G). During the meeting, board member were nominated and approved for the second term, which will start on 10/6/2015G for three years term. The prospective board members will then select the board committee members in line with the policies and procedures for the appointment of board members and board's committees members.

### The Shariah (Legal) Committee

The Shariah Committee is composed of three members appointed by the board for three year term. Following are the current members of the committee:

**Table (5-8) Members of Shariah Committee**

Name	Capacity
Dr. Abdullah bin Mohammed Al Mutlaq	Committee Chairman
Dr. Yusuf Bin Abdullah Al Shubaily	Committee Member
Dr. Mohammed bin Ali Al Qarri	Committee Member

Source: Company

Following is a brief profile of the Shariah Committee members:

Name	Dr. Abdullah bin Mohammed Al Mutlaq
Age	62
Nationality	Saudi
Current Post	Chairman of Shariah Committee
Date of Appointment	1/1/2012G
Qualifications	Has Ph.D. in Islamic Jurisprudence, Imam Mohammed bin Saud Islamic University
Experiences	<ul style="list-style-type: none"> <li>• Dr. Mutlaq is currently occupying several academic and professional posts, including but not limited to the following:</li> <li>• Member of the Senior Scholars Commission</li> <li>• Member of the Permanent Ifta Committee</li> <li>• Advisor to the Royal Court</li> <li>• Professor of Jurisprudence in the High Institute of Jurisdiction, Imam Mohammed bin Saudi Islamic University</li> </ul>
Name	Dr. Yusuf Bin Abdullah Al Shubaily
Age	47
Nationality	Saudi
Current Post	Member of Shariah Committee
Date of Appointment	1/1/2012G
Qualifications	Has Ph.D. in Islamic Jurisprudence, Imam Mohammed bin Saud Islamic University

Name	Dr. Yusuf Bin Abdullah Al Shubaily
Experiences	<ul style="list-style-type: none"> <li>• Dr. Shobaili is currently occupying several academic and professional posts, including but not limited to the following:</li> <li>• Professor of Jurisprudence in the High Institute of Jurisdiction, Imam Mohammed bin Saud Islamic University</li> <li>• Member of the Shariah Committee in many Islamic Financial and Economic institutions</li> <li>• Teaching member in Comparative Jurisprudence in the High Court of Jurisdiction</li> </ul>

Name	Dr. Mohammed bin Ali Al Qarri
Age	64
Nationality	Saudi
Current Post	Member of Shariah Committee
Date of Appointment	1/1/2012G
Qualifications	Has Ph.D. in Economics, University of California, USA
Experiences	<ul style="list-style-type: none"> <li>• Dr. Al Qarri is currently occupying several academic and professional posts, including but not limited to the following:</li> <li>• Member of the Scientific Committee in the Islamic Jurisprudence Academy, Islamic World Association (Makkah Academy)</li> <li>• Advisor at the International Islamic Jurisprudence Academy, Islamic Conference Organization (Jeddah Academy)</li> <li>• Member of the Scientific Committee in the Islamic Research Institute, Islamic Development Bank, Jeddah</li> <li>• Member of the Shariah Committee in many Islamic financial and economic institutions</li> </ul>

Two meetings for the Shariah Committee were held on 30/4/20914G and on 16/11/2014G.

## 5-9 Conflict of Interests

The Company complies with a number of legal standards and requirements that prevent any conflict of interest between the Company, its shareholders and board members. The Company constituent documents, especially its By-Laws do not grant any authorities that would enable any board member to vote on any contract or proposal in which he has a substantial direct or indirect interest.

The Company also complies with the statutory requirement which stipulates that no board member shall have any interest, direct or indirect, in the transactions and contracts concluded for the benefit of the Company unless approved by the ordinary general assembly (provided such approval is renewed annually).

In addition, each board member shall notify the board of any personal interest in transactions and contracts concluded for the benefit of the Company. The board chairman shall inform the ordinary general assembly (upon meeting) of the transactions and contracts in which a board member has a personal interest, provided that such notification is associated with a special report issued by the auditor.

The Company also acknowledges its compliance together with board members with articles 69 and 70 of the Companies Regulations and article 18 of the companies governance bylaws, thus enhancing the Company's keenness for any conflict of interest that could affect its business may not arise.

## 5-10 Personnel Shares Programs

The Company does not have currently any programs for allocation of shares to its personnel or other arrangements through which personnel will take part in the Company capital.

## 5-11 Personnel and Saudization

The number of company personnel has increased during 2014G to 91 employees, including 43 Saudi personnel and 48 non-Saudi personnel, with a Saudization percentage of 47.3% compared to 2013G, where the Company personnel were 76 employees, including 33 Saudi National employees and 43 non-Saudi employees, with a Saudization percentage of 43.43%. These percentages meet the Saudization percentages required from the Company by SAMA which was 40% by the end of 2014G.

The increase in company personnel each year is due to the growth in the insurance portfolio, underwriting sections and the Company's need to human resources that meet company business increase. A plan including employment, training, development and compensation will be implemented to meet Saudization requirements. The Company is classified in

(High Green Nitaqat) level.

**Table (5-9) Total Manpower and Saudization**

	2012G		2013G		2014G	
	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	22	37.289%	33	43.43%	43	47.3%
Non-Saudis	37	62.71%	43	56.57%	48	52.7%
<b>Total</b>	<b>59</b>	<b>100%</b>	<b>76</b>	<b>100%</b>	<b>91</b>	<b>100%</b>

**Table (5-10) Number of Personnel by Department**

Department/ Division	As at the end of December 2013G		As at the end of December 2014G	
	Saudis	Non-Saudis	Saudis	Non-Saudis
Finance	0	8	2	8
Human Resources and Administrative Affairs	7	4	12	3
Information Technology	1	5	-	5
Risks Management	-	1	-	1
Underwriting	5	4	3	6
Protection and Saving	2	4	2	3
Claims	9	5	8	6
Re-insurance	-	1	-	2
Marketing and Sales	8	8	4	11
Regulatory Control or Compliance	1	-	3	-
Medical Insurance	-	1	-	1
Office of the General Manager	-	2	-	2
<b>Total Manpower</b>	<b>33</b>	<b>43</b>	<b>43</b>	<b>48</b>

Source: Company

## 6. Management Discussion & Analysis of the Company's Financial Position and Results of Operations

### 6-1 Introduction

The following Management Discussion & Analysis of the Company's Financial Position and Results of Operations is based on (and must be read in conjunction with) the financial statements for the period from 09 June 2012G to 31 December 2013G, which has been audited by Deloitte & Touche Bakr Abulkhair & Co. and KPMG Al-Fawzan and Al-Sadhan, the financial statements for the year ended on 31 December 2013G prepared by the management of the Company (where, according to the by-laws of the Company, the first financial year extends from 09 June 2012G until 31 December 2013G). Based upon that, the Company issued its financial statements for the initial fiscal year, and there are no audited financial statements for the period ended on 31 December 2013G), as well as the financial statements for the year ended on 31 December 2014G which were audited by KPMG Al-Fawzan, Al-Sadhan and PricewaterhouseCoopers.

This section that was prepared by the Company's management contains future statements that involve uncertain risks and expectations. The actual performance of the Company may significantly differ from what is contained in these forward-looking statements due to various factors, including those discussed below and elsewhere in this Prospectus.

Please note that the figures contained in this section have been rounded to the nearest thousand and are presented in Saudi Riyals. Therefore, the sum of those numbers may be different from what is contained in the tables. It should also be noted that all the percentages and differences are based on the figures rounded to the nearest thousand.

This Prospectus contains non-matching standards with the generally accepted accounting principles, which include: Trading ratio, cash ratio, receivable insurance and reinsurance premiums (net) to Gross Written Premiums, insurance and reinsurance premiums (net) to total assets, asset turnover ratio, deferred policy underwriting costs to paid commissions, unearned insurance commission to received commissions, total unearned premiums to gross written premiums, net of outstanding claims to net claims incurred, reinsurers' share of outstanding claims to total outstanding claims, reinsurers' share of unearned premiums to total unearned premiums, return on assets, return on shareholders' equity, accumulated losses to Share Capital and net carrying value of the share. The Company uses these measures to assess its performance, and these additional financial information are included in this Prospectus. These indicators and analytical standards were not developed in accordance with the international financial reporting standards and should be referred to as supplemental for the financial information derived from the financial statements.

Investors should beware of total reliance on this information. We draw the attention to the fact that trading ratio, cash ratio, receivable Insurance and reinsurance premiums (net) to Gross Written Premiums, insurance and reinsurance premiums (net) to total assets, asset turnover ratio, deferred policy underwriting costs to paid commissions, unearned insurance commission to received commissions, total unearned premiums to gross written premiums, net outstanding claims to net claims incurred, reinsurers' share of outstanding claims to total outstanding claims, reinsurers' share of unearned premiums to total unearned premiums, return on assets, return on shareholders' equity, accumulated losses to Share Capital and net carrying value of the share as calculated by the Company may be relatively different from measures with identical titles that are adopted by other companies ("ratio and key performance indicators" of the Company).

### 6-2 Directors' Declarations for Financial Statements:

Members of Board of Directors, jointly and severally, declare that the financial information included in the Prospectus is extracted without substantial change from the consolidated financial statements audited for the period ended on 31 December 2013G and the year ended 31 December 2014G.

Also, the members of the Board of Directors acknowledge that the audited financial statements were prepared in accordance with international financial reporting standards (IFRS), and were audited according to the generally accepted auditing standards in the Kingdom of Saudi Arabia. Also, members of the Board of Directors declare that the financial information provided in this Prospectus is consistent with the established procedure followed in the annual financial statements of the issuer. In addition, members of the Board of Directors declare that the Company has working capital that is sufficient for the next twelve months period from the date of issuing the Prospectus.

The members of the Board of Directors declare that the Company has realized accumulated losses of (111,587) million Saudi riyals as of 31 December 2014G representing 55.79% of the capital. Other than the accumulated losses disclosed in the Prospectus, the members of the Board of Directors declare that there has been no material adverse change in the financial and business condition of the Company during the financial period from 09 June 2012G to 31 December 2013G or the financial year ended on 31 Decemeber2014G to the date of this Prospectus.

The members of the Board of Directors declare that there has been no seasonal factors, economic cycles or governmental, economic, financial or monetary policies related the Company's business that had substantially affected the Company's business and financial position of the Company during the financial period from 09 June 2012G to 31 December2013G or the financial year ended on 31 December 2014G or to the date of this Prospectus, directly or indirectly, on the Company's operations.

The members of the Board of Directors declare that the Company does not have any contractual securities or any other assets whose value is subject to fluctuations or it may be difficult to verify their value which may significantly influence the assessment of the financial condition of the Company.

### 6-3 Legal structure and an overview of activities and operations

Alinma Tokio Marine Company (the "Company"), a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia under the Ministry of Commerce and Industry Decision No. 309/Q on 19 Rajab 1433H (corresponding to 09 June 2012G), and the Commercial Register No. 1010342527 dated 28 Rajab 1433H (corresponding to 18 June 2012G). The Company was listed on the Saudi Stock Exchange (Tadawul) on 24 June 2012G. The registered address for the Office of the Company is: Al Anoud Tower 2, Floor 21, P.O. Box 643, Riyadh 11421, Kingdom of Saudi Arabia.

The Company is licensed to Conduct insurance business in the Kingdom of Saudi Arabia on cooperative basis in accordance with the Royal Decree No. 25/M dated 3 Jumada II 1430H (corresponding to 27 June 2009G) and based on the Council of Ministers Decision No. 140 dated 02 Jumada II 1430H (corresponding to 26 June 2009G).

The purpose of incorporating the Company is to carry out cooperative insurance and related activities including reinsurance, agencies and representations, correspondence and brokerage activities in the Kingdom of Saudi Arabia and in accordance with the by-laws and regulations adopted in the Kingdom of Saudi Arabia.

### 6-4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

#### Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. It is comprised of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

#### Murabaha deposits

Murabaha deposits with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using effective yield method, less any impairment in value.

#### Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including reinsurance receivables) may be impaired. If such evidence exists, an impairment loss is recognized in the statement of insurance operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value i.e. for investments classified as 'available for sale', impairment is the difference between cost and fair value, less any impairment loss recognized in the statement of insurance operations' or the statement of shareholders' operations.
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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 difficulties encountering the issuer or debtor.
- A breach of contract articles, such as a default or delinquency in payments.
- A probability 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

#### Premiums receivable

Premiums receivable are recognized as a financial asset when the policies are issued and the consideration is receivable. The carrying amount of asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of insurance operations. 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.

## Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets (other than those on outstanding claims) represent balances due from reinsurance companies for claims paid by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis.

## Segment reporting

A segment is a distinguishable component of the Company's portfolio 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.

## Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

## Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SAR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SR at the rate of exchange prevailing at the date of statement of financial position. All differences are taken to the statements of insurance operations and accumulated losses and shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

## Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Provisions are not recognized for future operating losses.

## Available-for-sale investments (AFS)

Investments which are classified as available-for-sale are measured at fair value. Available-for-sale investments are those investments that are either designated in this category or not classified in any other category. For an available-for-sale investments, any gain or loss arising from a change in its fair value is recognized directly in other comprehensive income until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to and recognised in the statement of shareholders' operations for the year.

## Fixed assets

Fixed assets are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets. The estimated useful lives of assets for calculation of depreciation are as follows:

	Years
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

Residual values, useful lives and the method of calculating depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge For the year is recognised in the statement of insurance operations.

Any gain or loss on disposal of a fixed asset, (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of insurance operations.

Expenditures for repair and maintenance is charged to the statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalized.

### **Employees' end of service benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge For the year is transferred to the statement of insurance operations.

### **Pre-incorporation expenses**

Expenses incurred by the Company during the formation period, the licensing process and related to the Initial Public Offering (IPO) with no future benefits are charged to the statement of shareholders' operations.

### **Transaction costs**

Transaction costs to raise share capital are incremental costs that are directly attributable to the issuance of share capital and are accounted for as a deduction from equity.

### **Insurance contracts**

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance 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 is significantly reduced subsequently.

### **Liability adequacy test**

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If such an assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of insurance operations and an unexpired risk provision is made.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

### **Zakat and income tax**

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakat base of Saudi founding and general public shareholders' while income tax is computed on the non-Saudi founding shareholders share of net adjusted income.

Zakat and income taxes are accrued and charged to other comprehensive income.

### **Revenue recognition**

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis.

Unearned premiums and commissions are those proportions of premiums and commissions written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the year and are recognized in statement of insurance operations from the policy inception date.

The investment gains or losses are composed of profits and unrealized losses on investments. The commission income is realized on Murabaha deposits using the effective yield method. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income or .The report on the profits or losses realized from investments available for sale in the lists of insurance operations relating to or lists of comprehensive income to shareholders. Dividends, commission income and foreign currency gain / loss on AFS investments are recognized at the related statements of insurance operations or statement of shareholders' comprehensive income, as part of the net investment income / loss.

Investment income or loss is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income.

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

## Claims

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

A provision based on management's judgment is maintained for Incurred But Not Reported ("IBNR") claims at the statement of financial position date.

## Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is legally enforceable Right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

## Trade date accounting

All regular way purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). 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.

## Deferred acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

## Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

## 6-5 Results of Operations

### Statement Income

#### 6-5-1 Statement of Income

Table (6-1) :Statement of comprehensive Income Operations

(SAR'000)	For the period from 9 June 2012G to 31 December 2012G	For the year ending on 31 December 2013G	For the year ending on 31 December 2014G
Gross written premiums	336	50,916	92,585
Reinsurance premiums ceded	(294)	(28,197)	(55,893)
Excess of loss premiums	0	(4,824)	(4,144)
<b>Net written premiums</b>	<b>42</b>	<b>17,895</b>	<b>32,548</b>
Net change in unearned premiums	(319)	(17,747)	(6,215)
Changes in reinsurance share of unearned premiums	281	8,545	6,681
Net change in unearned premiums	(38)	(9,202)	466
<b>Net earned premiums</b>	<b>4</b>	<b>8,693</b>	<b>33,014</b>
Reinsurance commission earned and other income	5	2,657	8,156
<b>Total Insurance revenues</b>	<b>9</b>	<b>11,350</b>	<b>41,170</b>
Net claims paid	0	(56,132)	(44,878)
Reinsurers' share of claims paid	0	50,843	23,069
Net claims paid	0	(5,289)	(21,809)

(SAR'000)	For the period from 9 June 2012G to 31 December 2012G	For the year ending on 31 December 2013G	For the year ending on 31 December 2014G
Changes in gross outstanding claims	(1,898)	(17,240)	(16,951)
Changes in reinsurers' share of outstanding claims	8	11,950	5,626
Changes in net outstanding claims	(1,890)	(5,290)	(11,325)
<b>Net claims incurred</b>	<b>(1,890)</b>	<b>(10,579)</b>	<b>(33,134)</b>
Incurred Underwriting Costs	0	(691)	(2,843)
Incurred fees for Supervisory Agencies	(1)	(240)	(340)
<b>Net Underwriting Results</b>	<b>(1,882)</b>	<b>(160)</b>	<b>4,853</b>
General and administrative expenses	(6,722)	(32,016)	(32,429)
<b>Net impairment of insurance operations</b>	<b>(8,604)</b>	<b>(32,176)</b>	<b>(27,576)</b>
Growth of written premiums	N/A	15054%	81%
Percentage of ceding (including excess of loss)	1.19%	46%	65%
Net earned premiums/Gross written premiums	0.00%	17%	36%
Net loss ratio	(47250%)	(122%)	(100%)
Incurred commission/Gross written premiums	(1.70%)	(1%)	(3%)
Earned reinsurance commission/ceded premiums	125.00%	(9%)	(15%)
Net commission ratio	(560.12%)	23%	16%
Net Underwriting results/Gross written premiums	(168050%)	(4%)	5%
Expenses ratio	(215200%)	(445%)	(108%)
Accumulated ratio	(47250%)	(569%)	(184%)
Claims ratio	(3120.83%)	(143%)	(100%)
Net loss as a percentage of Gross written premiums	(2560.71%)	(63.19%)	(30%)
Number of policies	52	1,559	3,163
Average written premiums in one insurance police (in '000 SAR)	6	32	29
Number of claims	0	336	4,491
Average one Claim (in '000 SAR)	0.00%	167	10

Source: Audited financial statements and Company Management

### Gross written premiums

- Gross written premiums rose from 50.9 million riyals For the year ended on 31 December 2013G to 92.6 million riyals for the year ended on 31 December 2014G as a result of an increase in gross premiums written for vehicle, marine protection and savings policies, thus achieving a growth rate of 80% compared to the year 2013G. It should be noted that the gross written premiums do not contain any joint premiums brought forward to the Company during the fiscal year ended on 31 December 2013G and 31 December 2014G.

### Reinsurance premiums ceded

- Reinsurance premiums ceded rose from 28.2 million riyals for the year ended on 31 December 2013G to 55.9 million riyals for the year ended on 31 December 2014G. This is mainly due to the increase in gross premiums written. Excess of loss premiums decreased from SR 4.8 million for the year ended on 31 December 2013G to 4.1 million riyals for the year ended on 31 December 2014G due to decrease of excess of loss premiums for the Fire Sector at a value of 1.6 million riyals as a result of the presence of excess loss optional agreement for the fire sector For the year ended on 31 December 2013G, while there was no excess of loss optional agreement in the financial year ended on 31 December 2013G. This decrease was offset by a rise in excess of loss premiums for vehicle sector.

### **Net change in unearned premiums**

- Net change in unearned premiums increased from (9.2) million for the year ended on 31 December 2013G to 0.5 million riyals for the year ended 31 December 2014G due to the decline in net unearned premiums reserve as of 31 December 2013G due to the increase in premiums written for the year ended on 31 December 2013G compared to the year ended on 31 December 2013G.

### **Re-insurance commissions earned income and other income**

- Reinsurance commissions earned rose from 2.7 million riyals for the period ended on 31 December 2013G to 8.2 million riyals for the year ended on 31 December 2014G as a result of the rise in premiums ceded from 28.5 million riyals for the period ended on 31 December 2013G to 55.9 million riyals for the year ended on 31 December 2014G. Noteworthy, other revenues represent fees on insurance policies.

### **Total Claims paid**

Total claims paid decreased from 56.1 million riyals for the year ended on 31 December 2013G to 44.9 million riyals for the year ended on 31 December 2014G. This is mainly due to the decline in total claims paid in the marine sector at an amount of 42 million riyals.

### **Reinsurers' Share of Claims Paid**

Reinsurers' share of claims paid decreased from 50.8 million riyals for the period ended on 31 December 2013G to 23.1 million riyals for the year ended on 31 December 2014G. This is mainly due to the decline in total claims paid, due mainly to the decline in total claims paid for the Marine sector by 42 million riyals.

### **Net claims incurred**

Net claims incurred rose from 10.6 million riyals for the year ended on 31 December 2013G to 33.1 million riyals for the year ended on 31 December 2014G due to the increase in net claims incurred for vehicle sector, as a result of an increase in the number of claims for vehicle sector from 238 claims during the year 2013G to 2,624 claim as of 31 December 2014G, including 1,222 claims related to the Eastern Region, Moreover, during the year 2014G there were five major claims amounted to 300 thousand riyals each, while in 2013G there was only one major claim at a value of 407 thousand Saudi riyals.

### **Insurance Policy Underwriting Costs**

Insurance Policy Underwriting Costs rose from 0.6 million riyals for the year ended on 31 December 2013G to 2.8 million riyals for the year ended on 31 December 2014G due to the increase in gross premiums written through insurance brokers from 14.2 million riyals for the year ended on 31 December 2013G to 22.7 for the year ended on 31 December 2014G, as a result of the increase of premiums written through insurance brokers compared to premiums written directly through the Company where premiums ratio written through insurance brokers rose compared to total premiums from 27.6% for the year ended on 31 December 2013G to 24.5 % for the year ended on 31 December 2014G.

### **Supervision and Inspection fees**

The Supervision and Inspection fees represent an amount of 0.5% of total premiums written after deducting premiums ceded to reinsurance companies or local joint insurance companies. This is paid to the Saudi Arabian Monetary Agency.

### **Net Underwriting Results**

Net underwriting results rose from a deficit of 160 thousand riyals in 2013G to a surplus of 4.9 million riyals in 2014G due to decrease of loss ratio and increase of reinsurance commissions due to the increase in premiums ceded.

### **General and administrative expenses**

General and administrative expenses increased insignificantly from 32 million riyals for the year ended on 31 December 2013G to 32.4 million riyals for the year ended on 31 December 2014G. This is mainly due to the increase in expendable expense, as well as the increase in lease expense for the year ended 31/12/2014G.

## Statement of Shareholders' Comprehensive Operations

**Table (6-2) Statement of Shareholders' Comprehensive Operations**

(SR'000)	for the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Investment income and other income	693	1,836	1,145
Net Impairment transferred from Shareholders' Operations	(8,604)	(32,176)	(27,576)
General and Administrative Expenses	(7,583)	(2,521)	(2,951)
Pre-Incorporation Expenses	(24,695)	0	-
<b>Net loss For the year before payment of Zakat and income tax</b>	<b>(40,189)</b>	<b>(32,861)</b>	<b>(29,382)</b>
Zakat for the Year	(1,891)	(342)	(980)
<b>Net Loss for the Year</b>	<b>(42,080)</b>	<b>(33,203)</b>	<b>(30,362)</b>

Source: Audited Financial Statements and Company's Management

### Investment income and other revenue

Investment income decreased from 1.8 million riyals for the year ended on 31 December 2013G to 1.1 million riyals for the year ended on 31 December 2014G due to the decrease in income generated from investment funds. Investment and other income shown above includes profit of 416,000 riyals resulting from the conversion of currencies for payments related to incorporation expenses paid to Tokio Marine and Nichido Fire Insurance Company, Japan.

### General and administrative expenses

General and administrative expenses for shareholders operations decreased from 7.5 million Saudi riyals for the period ended on 31 December 2012G to SR 2.5 million for the year ended on 31 December 2013G. This is mainly due to the fact that during the period ended on 31 December 2012G, salaries and wages of employees until September 2012G have been charged to shareholders' operations at an amount of 5 million Saudi riyals because the Company did not start the insurance operations until that date. During the year 2013G, all the salaries and wages of employees were charged to insurance operations.

### Pre-incorporation expenses

Pre-incorporation expenses are expenses incurred by the founding shareholders on behalf of the Company for the period from September 2004 to 08 June 2012G (the date of issuance of the Ministerial Resolution announcing the establishment of the Company) and thus were recharged to the Company.

Pre-incorporation expenses consist mainly of staff costs, depreciation of fixed assets, bank guarantee, commissions and other expenses.

### Zakat

Decrease in Zakat expense is due to the decrease of Zakat base for the year ended on 31 December 2014G as a result of the accumulated losses for the mentioned year.

**Table (6-3) Insurance operations income by operating segments for the year ended on 31 December 2013G**

(SR'000)	For the year ended on 31 December 2013G						
	Fire	Marine	Public Ac- cidents	Engineering	Vehicles	Protection and Savings	Total
Revenues							
Total Premiums Written	15,716	8,577	3,419	1,573	10,764	10,867	51,252
Reinsurance Premiums Ceded	(10,619)	(7,664)	(2,875)	(1,469)	0	(5,570)	(28,491)
Excess of Loss Premiums	(3,893)	(331)	(254)	(36)	(310)	0	(4,824)
<b>Net Written Premiums</b>	<b>1,204</b>	<b>582</b>	<b>290</b>	<b>68</b>	<b>10,454</b>	<b>5,297</b>	<b>17,937</b>
Net change in unearned premiums	(1,361)	(300)	(201)	(75)	(7,265)	0	(9,240)
<b>Net Written Premiums</b>	<b>(157)</b>	<b>282</b>	<b>89</b>	<b>(7)</b>	<b>3,189</b>	<b>5,297</b>	<b>8,697</b>
Earned Commission Income and Other Income	1,523	556	537	32	5	4	2,662

(SR'000)	For the year ended on 31 December 2013G						
	Fire	Marine	Public Accidents	Engineering	Vehicles	Protection and Savings	Total
Total Insurance Income	1,366	838	626	25	3,194	5,301	11,359
Net Incurred Claims	(494)	(4,032)	(528)	(18)	(4,319)	(1,188)	(10,579)
Incurred Underwriting Costs	(157)	(45)	(33)	(10)	(446)	0	(10,579)
Incurred fees for Supervisory Agencies	(72)	(42)	(14)	(6)	(54)	(53)	(691)
Net Underwriting Results	643	(3,281)	51	(9)	(1,625)	4,060	(241)
General and Administrative Expenses							(38,738)
Net Insurance Operations Impairment							(40,780)
<b>Key Performance Indicators and Ratios</b>							
Reference Rate including Excess of Loss)	92%	93%	91%	96%	3%	51%	65%
Net Written Premiums / Gross Written Premiums	(1%)	3%	3%	-	30%	49%	17%
Net Loss Rate	1142%	(1564%)	(831%)	257%	(135%)	(22%)	(143%)
Paid Commissions/ Net Written Premiums	101%	(16%)	(37%)	143%	(14%)	-	(8%)
Rceived Commissions/ Net Written Premiums	(985%)	197%	598%	(457%)	-	-	31%
Underwriting Results/Total Premiums Written	(4%)	(43%)	(5%)	(1%)	(15%)	37%	(4%)

Source: Audited Financial Statements and PKF Analysis

Net underwriting results for the year 2013G show a deficit of 160 thousand riyals, where the main loss relates to the marine and vehicle sectors at a value of 3.6 million riyals and 1.6 million riyals respectively.

It should be noted that the protection and savings sector is the only sector which recorded a positive underwriting results by 4.1 million during the period from 09 June 2012G to 31 December 2013G.

**Table (6-4) A statement of income from insurance operations by operating segments --2014G**

(SR'000)	For the year ended on 31 December 2014G						
	Fire	Marine	Public Accidents	Engineering	Motor	Protection and Savings	Total
<b>Revenues</b>							
Total Premiums Written	23,134	18,096	8,802	2,254	22,909	17,390	92,585
Reinsurance Premiums Ceded	(22,386)	(16,123)	(5,755)	(1,991)	(314)	(9,324)	(55,893)
Excess of Loss Premiums	(2,221)	(333)	(312)	(53)	(1,225)	-	(4,144)
Net Written Premiums	(1,473)	1,640	2,735	210	21,370	8,066	32,548
Net Change in unearned premiums	1,055	(106)	(779)	(76)	372	-	466
Net Written Premiums	(418)	1,534	1,956	134	21,742	8,066	33,014
Earned Commission Income and Other Income	3,717	2,470	1,196	259	33	481	8,156
Total Insurance income	3,299	4,004	3,152	393	21,775	8,547	41,170
Net Incurred Claims	(251)	(132)	(4,223)	(93)	(24,938)	(3,497)	(33,134)
Incurred Underwriting Costs	(582)	(177)	(152)	(71)	(1,861)		(2,843)
Incurred fees for Supervisory Agencies	(43)	(60)	(30)	(7)	(113)	(87)	(340)

(SR'000)	For the year ended on 31 December 2014G						
	Fire	Marine	Public Accidents	Engineering	Motor	Protection and Savings	Total
Net Underwriting Results	2,423	3,635	(1,253)	222	(5,137)	4,963	4,853
General and Administrative Expenses							(32,429)
Net Insurance Operations Impairment							(27,576)
<b>Key Performance Indicators and Rates</b>							
Reference Rate including Excess of Loss	106%	91%	69%	91%	7%	54%	65%
Net Written Premiums / Gross Written Premiums	(2%)	9%	22%	6%	95%	46%	36%
Net Loss Rate	60%	(9%)	(216%)	(69.40%)	(115%)	(43%)	(100%)
Paid Commissions/ Net Written Premiums	139%	(11%)	(8%)	(53%)	(9%)	-	(9%)
Received Commissions/ Net Written Premiums	(889%)	161%	61%	193%	-	6%	25%
Underwriting Results/Total Premiums Written	11%	20%	(14%)	10%	(22%)	29%	5%

Source: Audited Financial Statements and PKF Analysis

Net underwriting results for the year 2014G show a surplus of 4.9 million riyals as the positive results are mainly attributed to fire, marine and protection and saving sectors. It should also be noted that the negative results are mainly attributed to the vehicle sector, where the loss of this sector amounts to 5.1 million riyals.

## Gross written premiums

**Table (6-5) Gross written premiums**

Gross Premiums Written (SR'000)	for the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
<b>Gross Written Premiums</b>			
Fire	225	15,716	23,134
Marine	59	8,577	18,096
Public Accidents	52	3,419	8,802
Engineering	0	1,573	2,254
Motor	0	10,764	22,909
Protection and Savings	0	10,867	17,390
<b>Total</b>	<b>336</b>	<b>50,916</b>	<b>92,585</b>
<b>Number of Policies Written</b>			
Fire	18	75	232
Marine	27	438	1,813
Public Accidents	7	39	214
Engineering	0	23	80
Motor	0	224	810
Protection and Savings	0	3	3
<b>Total</b>	<b>52</b>	<b>802</b>	<b>3,152</b>
<b>Average policy premium</b>			
Fire	13	210	100

Gross Premiums Written (SR'000)	for the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Marine	2	20	10
Public Accidents	7	88	41
Engineering	0	68	28
Motor	0	48	28
Protection and Savings	0	3622	5,797
<b>Total</b>	<b>22</b>	<b>63</b>	<b>29</b>

Source: Audited Financial Statements and Management Company

### Gross written premiums for the fire sector

Gross written premiums for the fire sector increased by 45%, reaching 7.4 million riyals as a result of a rise in the premiums for Abdul Latif Jameel Company and Alinma Bank from 5.8 million riyals and 1.6 million riyals for the year ended on 31 December 2013G to 11.5 million riyals and 2.7 million Real for the year ended on 31 December 2014G, respectively.

### Gross written premiums for the marine sector

Gross written premiums for the marine sector rose by 110%, reaching 9.4 million riyals due to rise in premiums for Abdul Latif Jameel from 7 million riyals for the period ended on 31 December 2013G to 16 million riyals for the year ended on 31 December 2014G.

### Gross written premiums for the general accidents sector

The General Accidents sector for the year ended on 31 December 2013G consist of the money insurance, fidelity bond and personal accidents for groups that have no liability insurance as the Company obtained the license for this sector in November 2013G and started Underwriting in liability sector during the 2014G year.

As a result of the above, during 2014G, gross written premiums for the general accident sector rose due to the issuance of policies that belong to the liability sector for the first time in 2014G at a value of 3.7 million riyals due to the Company obtaining license for this sector at the end of 2013G

### Gross written premiums for the Motor Sector

Gross written premiums for Motor sector rose by 12.1 million riyals in 2014G. This is mainly attributed to the rise in gross written premiums for the third party liability insurance by 7.5 million riyals and the comprehensive insurance product by 4.6 million riyals a result of the increased number of policies, in addition to the increase of policy prices by almost 30% starting from August 2014G.

### Gross written premiums for the Protection and Savings sector

Gross written premiums for the Protection and Savings sector rose by 60%, reaching 6.5 million riyals as a result of:

- Rise in insured amounts
- Increase in Gross written premiums for the Protection and Savings sector in 2014G since the policies were underwritten in April 2013G and therefore the period of coverage for premiums is nine months starting the year ended on 31 December 2013G compared to 12 months for the year ended on 31 December 2014G. It should also be noted that the protection and savings policy is assessed and accrued on a monthly basis.

### Gross written premiums for the medical sector

There is no production for the medical sector of the Company for the years 2013G and 2014G as the Company is still in the phase of obtaining the license.

### Coinsurance for the Company

There is no coinsurance for company in 2013G and 2014G .

**Table (6-6) Gross Written Premiums per Distribution Channels**

(SR'000)	For the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Brokers	-	14,240	22,654

Direct Sales	336	36,676	69,931
<b>Total</b>	<b>336</b>	<b>50,916</b>	<b>92,585</b>
<b>A percentage of the total</b>			
Brokers	0%	28%	24%
Direct Sales	100%	72%	76%

Source: Company Management

### Total premiums written through brokers

Total premiums written through brokers for the year ended on 31 December 2013G rose from 14.2 million riyals to 22.7 million riyals for the year ended on 31 December 2014G because of the rise in premiums written through brokers for vehicle sector from 9.8 million riyals for the period ended on 31 December 2013G to 14.4 million riyals for the year ended on 31 December 2014G.

### Total direct premiums written

Total direct written premiums increased from 37 million riyals for the year ended on 31 December 2013G to 69.9 million SAR for the period ended on 31 December 2014G for the following reasons:

- Rise of direct production for the marine sector from 8 million SAR for the year ended on 31 December 2013G to 16.7 million for the year ended on 31 December 2014G. This is mainly due to the renewed policies of Abdul Latif Jameel Company.
- Increase in total premiums written for the public incidents sector from SAR 3.2 million for the year ended on 31 December 2013G to 6.9 million SAR for the year ended on 31 December 2014G. This increase is mainly attributed to the liabilities sector policies.
- Direct production rising for Motor of less than 950 thousand for the year ended On 31 December 2013G to 8.5 million SAR for the year ended On 31 December 2014G as a result of intensive efforts by the Company during the year 2013G,
- Rise in Direct production for the Motor sector from less than 950 thousand for the year ended on 31 December 2013G to 8.5 million SAR for the year ended on 31 December 2014G as a result of intensive efforts exerted by the Company during the year 2013G, wherein the Company increased the number of sales staff to prepare the tools that enable the Company to increase its sales volume. As a result, there has been no significant impact for the increase of the Company's sales in 2014G in raising the Company's expenses.
- This resulted in a greater number of policies for the year ended on 31 December 2014G compared to the year ended on 31 December 2013G. In addition to the increase in insurance rates for Motor sector by about 30% starting from August 2014G.
- Protection and savings premiums are direct premiums belonging to the Inma Bank without underwriting fees. These premiums increased by SAR 6.5 million for the year ended on 31 December 2014G due to the increase of insured amount. The total premiums written for the year 2013G represent premiums for 9 months compared with 12 months for the year ended on 31 December 2014G.

**Table (6-7) Gross Written Premiums per regions**

(SR'000)	for the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Central Region	215	25,192	31,875
Western Region	73	21,372	50,864
Eastern Region	48	4,352	9,846
<b>Total</b>	<b>336</b>	<b>50,916</b>	<b>92,585</b>
<b>A percentage of Total</b>			
Central Region	64%	49%	34%
Western Region	22%	42%	55%
Eastern Region	14%	9%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company Management

- Gross premiums written rose in the central region from 25.1 million SAR to 31.8 million SAR. This is mainly due to the increase in the premium for the protection and savings policy that belongs to Alinma Bank.
- Gross written premiums in the western region increased from 21.4 million SAR to 50.9 million SAR in the year ended on 31 December 2013G and the year ended on 31 December 2014G respectively. This is mainly due to the increase of gross premiums written that belong to Abdul Latif Jameel from SAR 16 million in year ended on 31 December

2013G to 25 million SAR in the year ended on 31 December 2014G as well as the increase in the number of Motor Insurance brokers in the western region.

- Gross written premiums were doubled in the eastern region during the years 2013G and 2014G. This is mainly due to the significant rise in the volume of production and vehicle insurance policies in the Eastern Province.

**Table (6-8) Gross premiums written by the nature of the policyholders**

(SR'000)	for the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Individuals		-	-
Companies	336	50,916	92,585
<b>Total</b>	<b>336</b>	<b>50,916</b>	<b>92,585</b>

Source: Company Management

As described above, the insurance portfolio for the Company is entirely made up of the companies' clients.

### Reinsurance premiums ceded

**Table (6-9) Gross premiums ceded by operating segments (without excess of loss)**

(SR'000)	for the period from 9 June 2012G to 31 December 2012G	for the year ended on 31 December 2013G	for the year ended on 31 December 2014G
Fire	200	10,619	22,386
Marine	50	7,664	16,123
Public Accidents	44	2,875	5,755
Engineering	-	1,469	1,991
Motor	-	-	314
Protection and Savings	-	5,570	9,324
<b>Total</b>	<b>294</b>	<b>28,197</b>	<b>55,893</b>
Reference Rate per Operational Sectors			
Fire	89%	68%	97%
Marine	85%	89%	89%
Public Accidents	85%	84%	65%
Engineering	-	93%	88%
Motor	-	-	1%
Protection and Savings	-	51%	54%
<b>Total</b>	<b>88%</b>	<b>55%</b>	<b>60%</b>

Source: Audited Financial Statements and PKF Analysis

### Reinsurance Premiums ceded for the Fire Sector

Total reinsurance premiums ceded for the fire sector rose from 10.6 million SAR to 22.4 million SAR in the year ended on 31 December 2013G and the year ended on 31 December 2014G, respectively due to increase of gross written premiums.

Main Terms and conditions of the Proportional re-insurance agreement for the fire sector is the same sector in the two years.

The premiums ceded (assigned) to gross written premiums for fire sector as shown in the table above increased from 68% in 2013G to 97% in 2014G due to the increase of the proportion of the optional premiums ceded by 28% in 2014G, including major ceding agreements as follows:

- Abdul Latif Jameel
- Barakat Jewelry
- Saudi Industrial Development Fund
- Thuraya

### Reinsurance premiums ceded for marine sector

Premiums ceded to the marine sector rose from 7.7 million SAR to 16.1 million SAR in the period ended on 31 December 2013G and the year ended on 31 December 2014G, respectively in line with the increase in gross premiums written for the same sector.

#### Reinsurance premiums ceded for general accidents sector

Premiums ceded to the general accidents sector rose from 2.9 million SAR to 5.8 million SAR in the period ended on 31 December 2013G and the year ended on 31 December 2014G, respectively in line with the increase in gross premiums written for the same sector.

Premiums ceded compared to total premiums written decreased for the general accidents sector as shown in the table above from 84% to 65%. This is mainly due to the fact that in the year 2014G, the Company had gross premiums written for the liabilities insurance in the amount of 3.7 million riyal, which is covered under the excess of loss agreement and thus there are no ceded premiums except for optional assignments in the amount of 1.1 million SAR of the total mentioned above. It should be noted that the Company did not have premiums for the liability product in 2013G.

#### Reinsurance premiums ceded to Motor sector

There are no ceded premiums in 2013G and 2014G with the exception of 314 thousand for the vehicle sector. This is a result of the fact that this sector is covered under the excess of loss agreement. Premiums ceded at a value of 314 thousand for the year ended on 31 December 2014G represent facultative reinsurance premiums and joint premiums with AXA and Allianz at an amount of 135 thousand and 108 thousand respectively that belong to King Abdullah University for Science and Technology policy.

#### Reinsurance premiums assigned (ceded) to the Protection and Savings sector

Premiums assigned (ceded) to the Protection and Savings sector rose from 5.6 million SAR to 9.3 million SAR in the year 2013G and 2014G respectively as a result of an increase in gross premiums written for the sector.

The proportional agreement for the protection and savings sector for the years 2013G and 2014G represent 80% of reinsurers share and 20% of the Company's share of net premiums.

The proportion of premiums assigned to gross premiums written for the protection and savings sector of is within the limits of 50% and not 80% as stated above and this is due to the fact that premiums assigned are based upon net vulnerable premiums. It should be noted that net vulnerable premiums equals the gross premiums written minus additional expenses by 20% to 30%.

**Table (6-10) Excess of Loss premium expenses**

Excess of Loss	For the year ended on 31 December 2013G (SR'000)	For the year ended on 31 December 2014G (SR'000)	Delta
Fire	3,893	2,221	(43%)
Marine	331	333	1%
Public Accidents	254	312	23%
Engineering	36	53	46%
Total Excess of Loss Agreement on net sustained by the Company	4,514	2,919	(35%)
Motor	310	1,225	295%
Excess of Loss for Motor and liabilities	310	1,225	295%
Protection and Savings	-	-	-
<b>Total</b>	<b>4,824</b>	<b>4,144</b>	<b>(14%)</b>

Source: Audited Financial Statements and PKF analysis

In 2014G, the Company entered into two excess of loss agreements as follows:

- Excess of loss agreement for motor (Motor) and liabilities
- Excess of loss agreement on the net amounts incurred by the Company

Excess of loss Agreements on the net amounts incurred by the Company are applicable to all operating segments mentioned above with the exception of protection and savings, motor and liabilities. Noteworthy, the Company did not have an excess of loss agreements for the period ended on December 31, 2012G.

Total excess of loss premiums decreased from SAR 4.8 million in 2013G to SAR 4.1 million in 2014G. This decrease is mainly due to the fact that the fire excess of loss expenses decreased from SAR 3.8 million in 2013G to SAR 2.2 million in 2014G

because there were optional excess of loss expenses in 2013G at an amount of SAR 2 million that belong to Abdul Latif Jameel.

Total excess of loss premiums for Motor rose from SAR 0.3 million in 2013G to about SAR 1.2 million in 2014G due to decrease of the maximum limit sustained by the Company per claim from SAR 1 million in the period ended on 30 June 2014G to SAR 0.6 million for the period ended on 30 June 2015.

It should be noted that there are no amendments to the premiums for motor / liabilities in both years where there was no claim that exceeded the maximum limit and thus reinsurers don't have any share of claims paid.

**Table (6-11) premiums ceded per reinsurance methods**

(SR'000)	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Proportional	16,489	25,714
Facultative	8,036	22,638
Joint	3,966	7,541
<b>Total</b>	<b>28,491</b>	<b>55,893</b>
A percentage of total		
Proportional	58%	46%
Facultative	28%	41%
Joint	14%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Company Management

Total ceded proportional and surplus premiums rose from SAR 16.5 million in 2013G to SAR 25.7 million in 2014G. This rise is mainly due to the increase in ceded premiums for the protection and savings sector from 5.6 million SAR for the period ended on 31 December 2013G to 9.3 million SAR for the year ended on 31 December 2014G.

### Facultative

Ceded facultative premiums rose from 8 million SAR in 2013G to 22.6 million SAR in 2014G. This rise is mainly due to the increase in premiums ceded facultative premiums from SAR 2.7 million in 2013G to 11.8 million SAR in 2014G. Ceded facultative premiums relate to 4 major policies.

### Coinsurance

- Coinsurance premiums rose from 4 million SAR in 2013G to 7.5 million SAR in 2014G as a result of the increase in premiums for the joint marine insurance sector from 2.8 million SAR in 2013G to 5.5 million SAR in 2014G.
- Coinsurance was mostly with AXA and Allianz companies.

**Table (6-12) Premiums ceded per geographic distribution**

(SR'000)	For the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
In-Kingdom of Saudi Arabia	240	2,997	24,478
Outside-Kingdom of Saudi Arabia	54	30,318	35,560
<b>Total</b>	<b>294</b>	<b>33,315</b>	<b>60,037</b>
Percentage of premiums ceded inside the Kingdom of Saudi Arabia	22.50%	9%	41%

Source: Company Management

Premiums ceded within the Kingdom of Saudi Arabia are mainly attributed to:

- Coinsurance with AXA and Allianz.
- Reinsurance agreement with the Saudi Re-insurance Company.

It should be noted that the premiums ceded within the Kingdom of Saudi Arabia for the year ended on 31 December 2014G amounted to 41% which is higher than 30% as stipulated in the Implementing Regulations for the insurance companies issued by the Saudi Arabian Monetary Agency. This increase is attributed to the Company's trend to largely rely on local companies in the facultative reinsurance process during the year 2014G compared to 2013G, due to the preference of proposals submitted by local reinsurers compared to foreign companies which will reflect positively on the Company.

**Table (6-13) Summary of reinsurance agreements by operating segments (proportional)**

Marine						
2012G/2013G and 2013G/2014G and 2014G/2015G						
Proportional and Surplus Layers						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	SR 5 million	40%	SR 2 million	60%	SR 3 million	30%
First Surplus Layer	SR 30 million	-	-	100%	SR 30 million	27.50%
Second Surplus Layer	SR 35 million	-	-	100%	SR 35 million	26%
<b>Total Agreement Load</b>	<b>SR 70 million</b>					
Fire						
2012/2013G and 2013G/2014G and 2014G/2015G						
Proportional and Surplus Layer						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	5 million	40%	2 million	60%	3 million	30%
First Surplus Layer	75 million	-	-	100%	75 million	27.5%
Second Surplus Layer	150 million	-	-	100%	150 million	26%
<b>Total Agreement Load</b>	<b>230 million</b>					
General Accidents- General Accidents and funds						
2012/2013G and 2013G/2014G and 2014G/2015G						
Proportional						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	3 million	15%	0.45 million	85%	2.55 million	30%
<b>Total Agreement Load</b>	<b>3 million</b>					
Public Accidents- Fidelity						
2012/2013G and 2013G/2014G and 2014G/2015G						
Proportional						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	2 million	15%	0.3 million	85%	1.7 million	30%
<b>Total Agreement Load</b>	<b>2 million</b>					

Source: Company

Engineering						
2013G/2012G						
Proportional and Surplus Layer						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	5 million	40%	2 million	60%	3 million	27.5%
First Surplus Layer	50 million			100%	50 million	25%
<b>Total Agreement Load</b>	<b>55 million</b>					

Engineering						
2012/2013G and 2013G/2014G and 2014G/2015G						
Proportional and Surplus Layers						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	Commission
Proportional	5 million	40%	2 million	60%	3 million	27.5%
First Surplus Layer	75 million	-	-	100%	75 million	25%
Second Surplus Layer	20 million	-	-	100%	20 million	26%
<b>Total Agreement Load</b>	<b>100 million</b>					

Source: Company

Protection and Savings						
2013G/2014G						
Proportional and Surplus Layer						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	
Proportional	10 million	20%	2 million	80%	8 million	
First Surplus Layer	30 million			100%	30 million	
<b>Total Agreement Load</b>	<b>40 million</b>					

Source: Company

Protection and Savings						
2014G/2015G						
Proportional and Surplus Layer						
	Limit (SR)	Retention Rate	Retention Value	Ceding Rate	Ceding Value (SR)	
Proportional	1.25 million	20%	0.25 million	80%	1 million	
First Surplus Layer	28.75 million			100%	28.75 million	
<b>Total Agreement Load</b>	<b>30 million</b>					

Source: Company

**Table (6-13) Summary of agreements by operating segments (Excess of Loss)**

Motor and Liabilities			
2012G/2013G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	SR 4 million more than SR 1 million	265,600	4% - 8.5%
Second Surplus Layer	SR 5 million more than SR 5 million	99,600	1.50%
Layer Number	SR 9 million more than SR 1 million	365,200	-
Motor and Liabilities			

2013G/2014G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	SR 4 million more than SR 1 million	418,217	4% - 8.5 %
Second Surplus Layer	SR 5 million more than SR 5 million	156,831	1.50%
<b>Total</b>	<b>SR 9 million more than SR 1 million</b>	<b>575,048</b>	<b>-</b>

Motor and Liabilities			
2013/2014G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	1.4 million SAR More than 0.6 million SAR	1,080,000	4 % -9 %
Second Surplus Layer	3 million SAR More than 2 million SAR	480,000	2%
Third Layer	5 million riyal More than 5 million SAR	360,000	1.50%
<b>Total</b>	<b>9.4 million SAR More than 0.6 million SAR</b>	<b>1,920,000</b>	

Source: Company

2012G/2013G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	5 million SAR More than 5 million SAR	276,762	5.69%
Second Surplus Layer	15 million SAR More than 10 million SAR	457,216	9.4%
Third Layer	25 million SAR More than 25 million SAR	267,520	5.5%
Fourth Layer	50 million SAR More than 50 million SAR	350,208	7.2%
<b>Total</b>	<b>95 million SAR More than 5 million SAR</b>	<b>1,351,706</b>	<b>-</b>

Excess of Loss Agreement			
2013G/2014G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	5 million SAR More than 5 million SAR	424,000	4.14%
Second Surplus Layer	15 million SAR More than 10 million SAR	632,800	6.18%
Third Layer	25 million SAR More than 25 million SAR	510,000	4.98%
Fourth Layer	50 million SAR More than 50 million SAR	560,000	5.47%
<b>Total</b>	<b>95 million SAR More than 5 million SAR</b>	<b>2,126,800</b>	<b>-</b>

Excess of Loss Agreement on the net sustained by the Company			
2014/2015G			
Excess of Loss Agreement			
Layer Number	Reinsurance Coverage	Minimum Deposit	Weighted Average (Adjustment)
First Surplus Layer	4 million SAR More than 1 million SAR	462,000	8.2%
Second Surplus Layer	5 million SAR More than 5 million SAR	242,000	4.3%
Third Layer	15 million SAR More than 10 million SAR	355,000	6.3%
Fourth Layer	25 million SAR More than 25 million SAR	287,000	5.1%
<b>Total</b>	<b>49 million SAR More than 1 million SAR</b>	<b>1,346,000</b>	<b>-</b>

Source: Company

**Table (6-14) Credit rating and Reinsurance companies' Shares**

Proportional and First Surplus Layer					
Serial	Name of Reinsurer	Share percentage	AM Best Classification	Fitch Classification	S&P Classification
1	SCORE Reinsurance	37.50%		A+	
2	Saudi Re	30.00%			BBB+
3	Indian Company for Cooperative Insurance	15.00%	A-		
4	AC R - Bahrain	17.50%	A-		
Proportional and First Surplus Layer					
Serial	Name of Reinsurer	Share percentage	AM Best Classification	Fitch Classification	S&P Classification
1	Tokio Marine and Nichido Fire Insurance	90.0%	A++		
2	Indian Company for Cooperative Insurance	10.0%	A-		
Motor Excess of Loss					
Serial	Name of Reinsurer	Share percentage	AM Best Classification	Fitch Classification	S&P Classification
1	SCORE Reinsurance	50.00%		A+	
2	AC R - Bahrain	30.00%	A-		
3	Indian Company for Cooperative Insurance	20.00%	A-		
Excess of Loss Agreement on the net sustained by company					
Serial	Name of Reinsurer	Share percentage	AM Best Classification	Fitch Classification	S&P Classification
1	SCORE Reinsurance	35.00%		A+	
2	Qatar Reinsurance Company	10.00%			A
3	AC R - Bahrain	17.50%	A-		
4	Gulf Reinsurance Company	12.50%	A-		
5	Indian Company for Cooperative Insurance	25.00%	A-		
Proportional agreement - Protection and Savings					
Serial	Name of Reinsurer	Share percentage	AM Best Classification	Fitch Classification	S&P Classification
1	Hannover Re				A+
2	RGI				AA-

Source: Company

All Company reinsurers ratings are BBB + and above in a manner that commensurate with the Saudi Arabian Monetary Agency laws for re-insurance.

## Claims

**Table (6-15) Total Claims Paid and Reinsurance Share**

Total Claims Paid	For the year ended on 31 December 2013G (SR'000)	For the year ended on 31 December 2014G (SR'000)	Growth
Fire	1,261	4,604	265%
Marine	50,018	7,199	(86%)
Public Accidents	5	324	6077%
Engineering	-	-	-
Motor	1,315	17,588	1238%
Protection and Savings	3,533	15,163	329%
<b>Total Claims Paid</b>	<b>56,132</b>	<b>44,878</b>	<b>(20%)</b>

Total Claims Paid	For the year ended on 31 December 2013G (SR'000)	For the year ended on 31 December 2014G (SR'000)	Growth
Fire	1,253	4,220	237%
Marine	46,759	6,474	(86%)
Public Accidents	5	62	1264%
Engineering	-	-	-
Motor	-	-	-
Protection and Savings	2,826	12,313	336%
<b>Total Reinsurers' share of claims paid</b>	<b>50,843</b>	<b>23,069</b>	<b>(55%)</b>
Change in Net Outstanding Claims	(7,180)	(11,325)	58%
Net Incurred Claims	12,469	33,134	166%
<b>Reinsurers' share of Total Claims Paid / Total Claims Paid</b>			
Fire	99%	92%	(8%)
Marine	93%	90%	(4%)
Public Accidents	87%	19%	(68%)
Engineering	-	-	-
Motor	-	-	-
Protection and Savings	80%	81%	1%
<b>Total</b>	<b>91%</b>	<b>51%</b>	<b>(39%)</b>

Source: Audited Financial Statements

Note: There are no claims paid during the period ended on 31 December 2012G

### Total claims paid and the reinsurance share thereof for the fire Sector

The total claims paid for the fire sector increased from 1.26 million SAR in 2013G, compared to 4.6 million SAR in 2014G. This is mainly due to two major claims at an amount of 2.2 million SAR for Abdul Latif Jameel Company.

There are no noteworthy changes for the proportion of the reinsurer's share of total claims paid on the total claims paid in both years because the reinsurance agreements have not changed.

### Total claims paid and the reinsurance share thereof for the Marine Sector

The total claims paid for the marine sector dropped from 50 million SAR in 2013G to 7.2 million SAR in 2014G. This is mainly due to a major claim of 48 million SAR for Abdul Latif Jameel Company. Noteworthy, there are no significant changes with respect to the reinsurers' share of the total claims paid on the total claims paid in both years because the reinsurance agreements have not changed

### Total claims paid and the reinsurance share thereof for the Motor Sector

Total claims paid for Motor rose from 1.3 million SAR in 2013G to 17.6 million SAR in 2014G and for the following reasons:

- The increase in the number of claims from 238 to 2,625 claim.
- The increase in gross premiums written in 2014G by 113% compared to 2013G.

Noteworthy, the total paid vehicle claims mentioned above are after the deduction of the scrap value of 93,081 thousand million SAR and after the deduction of compensation from a third party at an amount of 127 thousand and 351 thousand for the period ended on 31 December 2013G and the year ended on 31 December 2014G, respectively.

Reinsurance share of claims paid is zero in both years because there were no claims higher than the maximum limit charged to the Company per the excess of loss agreement.

### Total claims paid and the reinsurance share thereof for the Protection and Savings Sector

Total claims incurred for the protection and savings increased from 3.5 million SAR in 2013G to 15.2 million SAR in 2014G for the following reasons:

- Rise in production by 60% in 2014G compared to 2013G.
- In 2014G, there were five major claims for deaths caused by Accidents that every one of them exceeded one million SAR compared to a major claim in 2013G.

**Table (6-16) Total claims incurred and the reinsurance share thereof**

Net Incurred Claims	For the period from 9 June 2012G to 31 December 2012G	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G	Growth
Fire	1,276	494	251	-86%
Marine	394	4,032	132	-97%
Public Accidents	220	528	4,223	465%
Engineering		18	93	417%
Motor		4,319	24,938	477%
Protection and Savings		1,188	3,497	194%
<b>Total Net Incurred Claims</b>	<b>1,890</b>	<b>10,579</b>	<b>33,134</b>	<b>166%</b>
Fire	63800%	(315%)	-60%	1,082%
Marine	39400%	1570%	9%	-1,555%
Public Accidents	22000%	840%	216%	-615%
Engineering		(257%)	69%	326%
Motor		135%	115%	-20%
Protection and Savings		22%	43%	21%
Percentage of Total Net Loss	47250%	143%	100%	-43%

Source: Audited Financial Statements and Company's Management

Percentage of Net loss dropped down from 143% in 2013G to 100% in 2014G and the Percentage of net loss dropped significantly for all operational sectors (with the exception of engineering, protection and savings).

### Fire

The percentage of net loss for the Fire sector was negative for both years because the ceded premiums of the insurance company exceeded the gross premiums written. In other words, the gross written premiums for the fire were not enough to cover the reinsurance costs.

### Marine

The percentage of net loss for the marine sector dropped significantly from 1,570% in 2013G to 9% in 2014G due to the decline in net claims incurred from 4.4 million SAR in 2013G to 0.13 million SAR in 2014G. This decline is due to a major claim for the Abdul Latif Jameel Company in 2013G where the net retention (deductible) share of the Company amounted to 3.2 million SAR.

### Engineering

The net claims incurred for the engineering sector consist of the claims' reserve incurred but not reported as there were not registered claims as of 31 December 2013G and 2014G.

### Motor

The percentage of net loss for Motor insurance decreased from 135% in 2013G to 115% in 2014G due to the fact that the Company increased the premium prices for Motor by 30% for both producers (third party insurance and comprehensive insurance) starting from August 2014G. It should also be noted that the Company's plan to increase the prices of vehicle instalments starting from August 2015 and that will lead the Company to reduce the percentage of loss substantially during the subsequent period.

### Protection and savings

The percentage of net loss for the protection and savings sector rose from 22% in 2013G to 43% in 2014G and as a result of that in 2014G there were 5 major claims for deaths caused by accidents where each one's value exceeded a million compared to one major claim in 2013G.

**Table (6-17) Total claims paid by region**

Region	For the year ended on 31 December 2013G (SR'000)	For the year ended on 31 December 2014G (SR'000)
Central	4,517	24,623
Western	51,197	12,260
Eastern	418	7,995
<b>Total</b>	<b>56,132</b>	<b>44,878</b>

Source: Company Management

Total claims paid reduced from 56.1 million SAR in 2013G to 44.9 million SAR in 2014G. This is mainly due to a significant reduction in claims for the Western Region, which included, in 2013G, a large claim at an amount of 48 million SAR for Abdul Latif Jameel Company.

Total claims paid in the central and eastern regions have risen from 4.9 million SAR in 2013G to 32.6 in 2014G due to the following reasons:

- The increase in the number of claims for Motor in both regions from 238 in 2013G to 2,407 in 2014G.
- There were five major claims for protection and savings in the central region in 2014G compared to one claim in 2013G.

**Table (6-18) Total claims paid per channels**

(SR'000)	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G
Brokers	764	12,611
Direct	51,835	17,104
Alinma Bank	3,533	15,163
<b>Total</b>	<b>56,132</b>	<b>44,878</b>

Source: Company Management

Total paid claims that belong to brokers rose from 0.8 million SAR in 2013G to 12.6 in 2014G. This is mainly due to the rise in the Motor sector losses while the total claims paid directly decreased from 51.8 million SAR in 2013G to 17.1 million SAR in 2014G. This is mainly due to a major claim for the Marine sector at an amount of 48 million SAR in the year 2013G.

Total claims paid for the protection and savings sector of Alinma Bank increased from of 3.5 million SAR in 2013G to 15.1 million SAR in 2014G due to five major claims for deaths caused by accidents.

## Policy Underwriting Costs

**Table (6-19) Policy Underwriting Costs**

(SR'000)	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G	Growth
Fire	439	593	35%
Marine	90	214	138%
Public Accidents	39	273	608%
Engineering	107	194	81%
Motor	1,236	1,464	18%
Protection and Savings	-	-	-
Total commissions paid during the year	1,911	2,738	43%
Change in the deferred insurance policy acquisition costs	(1,220)	105	(109%)
<b>Total</b>	<b>691</b>	<b>2,843</b>	<b>311%</b>
<b>Paid Commissions/ Gross Written Premiums</b>			
Fire	3%	3%	-
Marine	1%	1%	-
Public Accidents	1%	3%	2%

(SR'000)	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G	Growth
Engineering	7%	9%	2%
Motor	11%	6%	(5%)
Protection and Savings	-	-	-
<b>Total</b>	<b>4%</b>	<b>3%</b>	<b>(1%)</b>

Source: Audited Financial Statements and Company's Management

### Commission expenses

Commission expense is the delta between the commissions paid and change in the deferred policy acquisition costs.

Total commission expenses rose from 0.7 million SAR in the year 2013G to 2.8 million SAR in the year 2014G due to the increase in premiums written through brokers from 14.2 million SAR in the year 2013G to 22.7 million SAR in the year 2014G.

- The proportion of commissions paid/Gross Written Premiums decreased from 4% in 2013G to 3% in 2014G. This decrease is mainly due to decrease in the Vehicle sector.
- The proportion of commissions paid / Gross Written Premiums for the Vehicle Sector have decreased from 11% in 2013G to 6% in 2014G because the premiums written through Brokers for the Vehicle Sector as a percentage of Total Vehicle production has dropped from 91% in 2013G to 63% in 2014G.
- The percentage of commissions paid / Gross Written Premiums for the Engineering sector rose from 7% in 2013G to 9% in 2014G because the premiums written through brokers for the Engineering sector as a percentage of Total Engineering production have increased from 41% in 2013G to 55% in 2014G.
- The proportion of commissions paid / Gross Written Premiums for the Fire and Marine sectors is the same in both years because the Gross Written Premiums through brokers as a percentage of related Gross Written Premiums have not changed in the period mentioned above.

There were no commissions for Protection and Savings sector in both years because this portfolio is written directly through Alinma Bank.

**Table (6-20) Reinsurance Commission Income**

(SR'000)	For the year ended on 31 December 2013G	For the year ended on 31 December 2014G	Growth
Fire	2,415	4,038	67%
Marine	817	3,196	291%
Public Accidents	721	1,570	118%
Engineering	275	524	91%
Motor	-	58	-
Protection and Savings	-	481	-
Total received commissions	4,228	9,868	133%
Change in unearned reinsurance commissions	(1,586)	(1,741)	10%
<b>Total</b>	<b>2,642</b>	<b>8,127</b>	<b>208%</b>
<b>Received Commissions/ Ceded premiums</b>			
Fire	22%	18%	(4%)
Marine	11%	20%	9%
Public Accidents	25%	27%	2%
Engineering	19%	26%	7%
Motor	-	19%	19%
Protection and Savings	-	5%	5%
<b>Total</b>	<b>15%</b>	<b>18%</b>	<b>3%</b>

Source: Audited Financial Statements and Company's Management

## Payable Reinsurance Commission

The Payable Reinsurance Commission is the delta between received reinsurance commissions during the period and the change in unearned reinsurance commissions.

Total payable reinsurance commission rose from 2.64 million SAR in the year 2013G to 8.12 million SAR in the year 2014G. This is mainly attributed to the increase in premiums assigned (ceded) to Fire, Marine General Accident sectors. The Protection and Savings sector profit commission, amounting to 481 thousand in 2014G, is attributed to the payable group insurance.

## Operating Expenses

**Table (6-21) Operating Expenses**

Operating Expenses	for the period from 9 June 2012G to 31 December 2012G			For the year ended on 31 December 2013G			For the year ended on 31 December 2014G		
	Insurance Operations	Sharehold- ers' Opera- tions	Total	Insurance Operations	Share- holders' Opera- tions	Total	Insurance Opera- tions	Sharehold- ers' Opera- tions	Total
Staff costs	5,583	5,024	10,607	24,762	-	24,762	23,104	-	23,104
Depreciation	550	0	550	1,609	-	1,609	1,784	-	1,784
IT Maintenance	273	390	663	1,345	-	1,345	1,776	-	1,776
Provision for doubtful debts	0	0	0	1,172	-	1,172	1,321	-	1,321
Lease	100	251	351	648	-	648	1,333	-	1,333
Professional and legal expenses	199	554	753	18	1,215	1,233	628	1,478	2,106
Board Remuneration	0	595	595	-	1,020	1,020	-	1,001	1,001
Board and Subcommittee fees	0	213	213	-	186	186	-	462	462
Other	18	556	574	2,461	100	2,561	2,483	10	2,493
<b>Total</b>	<b>6,723</b>	<b>7,583</b>	<b>14,306</b>	<b>32,015</b>	<b>2,521</b>	<b>34,536</b>	<b>32,429</b>	<b>2,951</b>	<b>35,380</b>
Total as a percentage of									
Total acquired Premiums	2001%	2257%	4258%	63%	5%	68%	35%	3%	38%
Gross written Premiums	39547%	44606%	84153%	96%	8%	104%	38%	3%	41%
Net Written Premiums	168075%	189575%	357650%	368%	29%	397%	98%	9%	107%

Source: Company Management

There have been no significant changes in the total operating expenses for each of the Insurance and shareholders' Operations for the two 12 month periods ended on 31 December 2013G and 31 December 2014G. During the year 2014G, the Company followed a robust policy in rationalizing expenses. This policy has had a substantial reason for maintaining the steadily state expenses over the two years despite the increase in the number of employees and the high volume of operations.

### Staff costs

Staff costs consist of salaries and bonuses for an average of 69 employees in 2013G and 80 employees in 2014G. The employee total average costs (salaries and bonuses) amounted to about 358 000 SAR per year for the year ended on 31/12/2013G compared to about 289 000 SAR per year for the year ended on 31/12/ 2014G. The decrease is attributed to the increase in the number of lower managerial level staff in 2014G.

### Depreciation

Depreciation expenses relate mostly to company computers. It should be noted that based on the international standard for financial reporting No. 16, depreciation is calculated based on the useful life of the asset. According to Article 4-22-13 of the guidelines issued by the Saudi Arabian Monetary Agency that are related to professional diligence and the assessment of the general insurance companies in the Kingdom, the straight-line method 10 years is followed for the calculation of the depreciation of furniture, fixtures and office equipment (as indicated by the professional financial diligence adviser in

his report). The Company will apply this recommendation as of the second quarter of the year 2015G, which will lead to the decrease in the depreciation expense due to decrease in currently established depreciation ratio from 20%, to 10% according to the guidelines issued by SAMA.

### Information Technology Maintenance

Repair and maintenance of information technology relates mainly to support services, Protection and Savings Management System, infrastructure support and products' licenses etc.

### Lease

This relates to office rent expenses in Riyadh, Jeddah and Al Khobar. Lease expenses increased due to the lease of the Company's head office in Riyadh.

### Legal and professional expenses

Legal and professional fees consist mainly from audit fees, actuarial fees and other related expenses.

### Directors' remuneration

Directors' remuneration expenses relate mainly to the annual remuneration of the Chairman of the Board at an amount of 180 thousand and for each of the members at an amount of 120 thousand.

### Other

Other expenses consist of participation in trading and other expenses such as travel expenses and withholding tax from Reinsurance and vendor payments related to information technology, etc.

## 6-5-2 Statement of Financial Position

**Table (6-22) Statement of Financial Position**

(SR'000)	31 December 2013G	31 December 2014G	Growth
<b>Insurance Operations Assets</b>			
Cash and cash equivalents	8,924	19,697	121%
Receivable Insurance and reinsurance Premiums, Net	16,750	28,505	70%
Reinsurers' share of Outstanding Claims	11,958	17,584	47%
Reinsurers' share of unearned premiums	8,826	15,507	76%
Deferred Policy Underwriting (Acquisition) costs	1,218	1,113	-9%
Due from Shareholders' Operations	9,223	-	-
Prepayments and other assets	3,374	1,344	-60%
Fixed assets	4,449	5,917	33%
<b>Total Insurance Operations assets</b>	<b>64,722</b>	<b>89,667</b>	<b>39%</b>
<b>Shareholders' assets</b>			
Cash and cash equivalents	51,431	37,147	-28%
Investments	45,383	34,210	-25%
Murabaha deposits	15,410	-	0%
Due from related parties	117	55	-53%
Due from insurance Operations	-	502	-
Prepayments and other assets	-	12	-
Statutory deposit	20,000	20,000	0%
<b>Total Shareholders' Assets</b>	<b>132,341</b>	<b>91,926</b>	<b>-31%</b>
<b>Total Assets</b>	<b>197,063</b>	<b>181,593</b>	<b>-8%</b>
<b>Insurance Operations Liabilities</b>			

(SR'000)	31 December 2013G	31 December 2014G	Growth
Total Outstanding Claims	19,138	36,089	89%
Payable Reinsurance balances	12,253	10,433	-15%
<b>Total unearned premiums</b>	<b>18,066</b>	<b>24,281</b>	<b>34%</b>
Unearned insurance Commission	1,665	3,406	105%
Liabilities to Shareholders' Operations	-	502	-
Accrued expenses and other liabilities	11,985	13,386	12%
Employee end of service benefits	1,615	1,570	-3%
<b>Total liabilities of Insurance Operations</b>	<b>64,722</b>	<b>89,667</b>	<b>39%</b>
Liabilities and Shareholders' Equity			
Shareholders' liabilities			
Accrued expenses and other liabilities	2,534	2,016	(20%)
Due to Insurance Operations	9,223	0	-
Accrued Zakat and income tax	1,809	1,497	(17%)
<b>Total shareholders' liabilities</b>	<b>13,566</b>	<b>3,513</b>	<b>(74%)</b>

Source: Audited Financial Statements

(SR'000)	31 December 2013G	31 December 2014G	Growth
Shareholders' Equity			
Capital	200,000	200,000	-
Accumulated Losses	(81,225)	(111,587)	37%
Total Shareholders' Equity	118,775	88,413	(26%)
Total Liabilities and Shareholders' Equity	132,341	91,926	(31%)
Total Insurance Operations liabilities, Shareholders' liabilities and Shareholders' Equity	197,063	181,593	(8%)

Key performance ratios and indicators	31 December 2013G	31 December 2014G	Delta
Tadawul ratio	263%	172%	(91%)
Cash Ratio	185%	102%	(83%)
Receivable Insurance and reinsurance Premiums, Net / Gross Written Premiums	33%	31%	(2%)
Receivable Insurance and reinsurance Premiums, Net /Total Assets	8%	16%	7%
Asset turnover rate	0.26	0.51	0.25
Deferred Policy Underwriting (Acquisition) costs/Paid Commissions	64%	41%	(23%)
Unearned insurance Commission / received commissions	39%	35%	(4%)
<b>Total unearned premiums / Gross Written Premiums</b>	<b>35%</b>	<b>26%</b>	<b>(9%)</b>
Net Outstanding Claims / Net Incurred Claims	58%	56%	(2%)
Reinsurers' share of Outstanding Claims / Total Outstanding Claims	62%	49%	(13%)
Reinsurers' share of unearned premiums / Total unearned premiums	49%	64%	15%
Return on Assets	(37%)	(16%)	21%
Return on Shareholders' Equity	(37%)	(15%)	22%
Accumulated losses / capital	41%	56%	15%
Net book value per share	5.94	4.42	1.52

### **Cash and cash equivalents - for Insurance and shareholders' Operations**

Cash and cash equivalents appear at the balance sheet at cost. It consists of cash on hand, bank balances and Murabaha deposits of a maturity date not to exceed three months or less from the date of acquisition.

### **Receivable Insurance and reinsurance Premiums, Net**

The Receivable Insurance and reinsurance Premiums, Net rose by 11.8 million Saudi SAR. This rise is mainly due to the increase in the receivable reinsurance balances by 7 million Saudi SAR due to the increase in reinsurers' share of claims paid to the Protection and Savings sector, and also due to the increase in receivable insurance premiums by 6.3 million Saudi SAR due to the increase in written premiums by 3.8 million Saudi SAR during the year 2014G.

### **Reinsurers' Share of Outstanding Claims**

Reinsurers share of Outstanding Claims rose from 12 million Saudi SAR as of 31 December 2013G to 17.6 million Saudi SAR as of 31 December 2014G. This rise is mainly due to the increase in the Outstanding Claims related to protection and savings worth sector by 3.8 million Saudi SAR.

### **Reinsurers' share of unearned premiums**

Reinsurers' share of unearned premium rose from 8.8 million SAR as of 31 December 2013G to 15.5million SAR as of 31 December 2014G. This rise is mainly due to the increase in Total unearned premiums.

### **Prepayments and other assets - Insurance and shareholders Operations**

Payments and other assets dropped from 3.4 million SAR as of 31 December 2013G to 1.3 million SAR as of 31 December 2014G mainly due to the decrease in the prepaid Excess of Loss expense by 1.4million SAR.

### **Fixed assets - Insurance Operations**

Fixed assets rose from 4.4 million SAR as of 31 December 2013G to 5.9 million SAR as of 31 December 2014G. This is mainly due to the additions of the devices used in company's information system rooms by 1.8 million SAR and improving the leased buildings that relate to the new headquarters of the Company by 1.3 million SAR. The Company does not have any significant fixed assets as of the publication date of this Prospectus. The Board members also acknowledges that the Company has no plan to buy significant fixed assets.

### **Investments - Shareholders' Operations**

The investments decreased from 45.4 million SAR as of 31 December 2013G to 34.2 million SAR as of 31 December 2014G mainly due to the partial sale of Al Rajhi Fund.

### **Murabaha deposits - Shareholders' Operations**

Murabaha deposits decreased from 15.4 million SAR as of 31 December 2013G to zero as of 31 December 2014G as a result of the Company's need for liquidity to finance Insurance Operations, and to meet working capital requirements. The Murabaha deposit was made through Muscat Capital Company at a profit rate of 2.7% per annum.

### **Due from related parties**

The amounts due from a related parties represent expenses paid by the Company on behalf of a related party (Hussein oyouni company - old operations)

### **Statutory deposit - Shareholders' Operations**

Statutory deposit is a deposit that amount to 10% of the Company's paid-up capital. This deposit cannot be withdrawn without obtaining the approval of the Saudi Arabian Monetary Agency. According to the Implementing Regulations issued by the Saudi Arabian Monetary Agency, the Company has deposited an amount equivalent to 10% of the paid-up capital in a bank account specified by the Saudi Arabian Monetary Agency and this deposit is restricted and cannot be used in the Company's operations. There is no commission with respect to the statutory deposit mentioned above for the years ended on 31/12/2013G and 31/12/ 2014G.

### **Outstanding Claims**

Total Outstanding Claims rose from 19.1 million SAR as of 31 December 2013G to 36.1 million SAR as of 31 December 2014G. This is primarily due to the increase in Total Outstanding Claims for the Motor Sector by 7.4 million SAR and other public sectors by 5.8 million SAR..

### **Payable reinsurance balances - Insurance Operations**

Payable reinsurance balances decreased from 12.3 million SAR as of 31 December 2013G to 10.4 million SAR as of 31 December 2014G. This is mainly due to the fact that most reinsurance balances ceded for the year 2013G were paid in January 2014G while the reinsurance amount ceded for the year 2014G was paid in December 2014G.

### Gross unearned premiums - Insurance Operations

Gross unearned premiums rose from 18.1 million SAR as of 31 December 2013G to 24.3 million SAR as of 31 December 2014G. This is mainly due to the increase in the gross unearned premiums insurance for the Marine and General Accident sectors as a result of the increase in Gross Premiums Written during 2014G.

### Unearned Insurance Commission

The Unearned Insurance Commission rose from 1.7million SAR as of 31 December 2013G to 3.4million SAR as of 31 December 2014G. This is mainly due to the increase in the Marine sector by 2 million SAR a result of the increase in premiums ceded during the year 2014G .

### Accrued expenses and other liabilities - Insurance Operations

Accrued expenses related to Insurance Operations rose from 11.9 million SAR as of 31 December 2013G to 13.4 million SAR as of 31 December 2014G. This is mainly due to the increase in the due co-insurance commission by 1.8 million SAR.

### Accrued expenses and other liabilities - Shareholders' Operations

Accrued expenses and other liabilities related to the Shareholders' Operations decreased from 2.5 million SAR as of 31 December 2013G to 2 million SAR as of 31 December 2014G. This is mainly due to reversing the Board of Directors owed bonus by an amount of SAR 500 thousand.

### Payable Zakat and income tax

Payable Zakat decreased from 1.8 million SAR as of 31 December 2013G to 1.5 million SAR as of 31 December 2014G. This decrease is mainly due to the decrease of Zakat base as a result of the increase in accumulated losses in 2014G. The Company has incurred a tax loss during 2013G and 2014G. Accordingly, income tax is not calculated on the statement of shareholders comprehensive income. The Company also received a registered and issued certificate dated 30/06/1436 H corresponding to 20/04/2015G from the Department of Zakat and Income Tax for the year ended on 31/12/2014G.

### Cash and cash equivalents

Table (6-23) Cash and cash equivalents

(SR'000)	31 December 2013G <sup>ρ</sup>	31 December 2014G	Growth
Insurance Operations			
Cash on hand	42	40	(5%)
Cash in banks - current accounts	8,882	19,657	121%
<b>Total</b>	<b>8,924</b>	<b>19,697</b>	<b>121%</b>
Shareholders' Operations			
Cash in banks - current accounts	1,431	37,147	2496%
Short-term Murabaha deposits	50,000	-	(100%)
<b>Total</b>	<b>51,431</b>	<b>37,147</b>	<b>(28%)</b>
Total cash and cash equivalents	60,355	56,844	(6%)

Cash in banks - Current accounts held with Alinma Bank (one of the shareholders of the Company).

There is no commission income from current accounts since such accounts are highly liquid and can be withdrawn by the Company at any time. The Murabaha contract represents an amount of 50 million SAR with Alinma Bank Bank dated 25 December 2013G and due on 01 January 2014G. The average annual commission rate for this deposit is 0.88% per annum.

### Investments – Shareholders' Operations

Table (6-24) Investments – Shareholders' Operations

(SR'000)	31 December 2014G	31 December 2013G	Delta
Shares	1,923	1,923	0%
Funds	32,287	43,460	(26%)
<b>Total</b>	<b>34,210</b>	<b>45,383</b>	<b>(25%)</b>
Shares	6%	4%	-

(SR'000)	31 December 2014G	31 December 2013G	Delta
Funds	94%	96%	-
Available-for-sale Investments			
Shares			
Najm Company for Insurance Services	1,923	1,923	0%
Investments held for trading			
Funds			
Al Rajhi Commodities Fund	32,187	43,459	(26%)
Electronic Industries Company Fund	99	-	-
National Commercial Bank Fund	1	1	0%
<b>Total investments held for trading</b>	<b>32,287</b>	<b>43,460</b>	<b>(26%)</b>
<b>Total shareholders' investments</b>	<b>34,210</b>	<b>45,383</b>	<b>(25%)</b>

Shareholders' investments are divided into available for sale investments and investments held for trading. Available for sale investments represent 1.9 million SAR which are attributed to the Company's investment in Najm Insurance Services, a company that estimates the Vehicle accidents that serves all insurance companies in the Kingdom of Saudi Arabia. This investment is estimated at cost. It is the opinion of management that the fair market value of this investment does not materially differ from the carrying value.

The size of the Company's investment in Rajhi Commodities Fund has decreased from 43.5 million SAR as of 31/12 / 2013G to 32.2 million SAR as a result of the partial redemptions made by the Company of its investment units in the fund during the year 2014G.

**Table (6-25) Investment movement - Shareholders' Operations**

(SR'000)	31 December 2013G	31 December 2014G
Available-for-sale Investments		
Balance at the beginning of the year	-	1,923
Purchased during the year	2,423	-
Sold during the year	(500)	-
Balance at the end of the year	1,923	1,923
Investments held for trading		
Balance at the beginning of the year	-	43,460
Purchased during the year	291,987	182,097
Sold during the year	(249,565)	(194,000)
Realized profit, net	847	594
Unrealized Profit	191	136
Balance at the end of the year	43,460	32,287

### Available-for-sale Investments

The available for sale investments which is represented in the Company's investment in Najm Company for Insurance Services amounted to 1.9 million SAR as of 31/12/2014G and the change in the value of available for sale investments by 500,000 SAR during the year 2013G represents the repayment value of Najm Company for Insurance Services for an advance payment by the Company during the year 2013G.

### Investments acquired for the purpose of trading

Investments held for trading are composed mainly of Al Rajhi Commodity Fund, an investment fund registered in the Kingdom of Saudi Arabia. The shareholders' investments and managed by the Company's management.

Unrealized profits amounted to 191 thousand and 135 thousand as of 31 December 2013G and 2014G respectively. The profits resulted from the following:

Units Held on	31 December 2014G (SR'000)	31 December 2013G (SR'000)
Number of units	224,774	306,718
Average Cost	32,051	43,268
Market value	32,187	43,459
Unrealized gains	136	191

## Net receivable insurance and reinsurance premiums

**Table (6-26) Net receivable insurance and reinsurance premiums**

(SR'000)	31 December 2014G	31 December 2013G	Growth
Receivable premiums- Policyholders	8,569	3,580	139%
Receivable premiums- Brokers	9,663	8,018	21%
Premiums receivable- related party – Alinma Bank	1,538	1,837	(16%)
Receivable Reinsurance	11,226	4,487	150%
<b>Total Receivables</b>	<b>30,996</b>	<b>17,922</b>	<b>73%</b>
Provision for doubtful debts– Policyholders	(1,368)	(345)	297%
Provision for doubtful debts- brokers	(1,123)	(685)	64%
Provision for doubtful debts- related party	-	(143)	(100%)
<b>Total Provision</b>	<b>-2491</b>	<b>-1172</b>	<b>113%</b>
Net Receivables	28,505	16,750	70%
Premiums receivable/ Gross Written Premiums	21%	26%	(5%)
Outstanding Premiums in days	78	96%	(19%)
Provision for doubtful debts as a percentage of Gross Written Premiums	13%	9%	4%

Receivable Insurance and Reinsurance premiums rose from 18 million SAR as at 31 December 2013G to 31 million SAR as of 31 December 2014G mainly due to the following:

- The rise in Gross Written Premiums in 2014G compared to 2013G.
- The increase in the receivable total reinsurance balances as of 31 December 2014G by 7 million SAR as a result of the increase in reinsurers' share of claims paid for the Protection and Savings sector by 9 million SAR.

There is no provision for reinsurance receivables because the age of reinsurance receivables are less than 6 months and accordingly does not require allocating a provision for. This is in line with the Implementing Regulations issued by the Saudi Arabian Monetary Agency. Noteworthy, the provision for doubtful debts for the Company is compatible with the Implementing Regulations issued by the Saudi Arabian Monetary Agency and the relevant circulars issued in 2010.

With regard to the provision for doubtful debts to brokers, an amount of 2 million SAR is due to brokers for more than 365 days. A provision for it was calculated at an amount of 234 thousand instead of 1.5 million SAR as required by the Implementing Regulations issued by the Saudi Arabian Monetary Agency. That is due to the following reasons:

- There is an amount of 2.2 million SAR that represents payable commission, classified as liabilities, since there is a substantial amount that relates to the balance above that is owed to brokers for more than 365 days, and
- The provision above of 1.5 million SAR was calculated on the basis of the effective date of the policy, including the policies for the Engineering sector wherein the calculation will be based upon the due date, and not the activation date according to the circular issued by the Saudi Arabian Monetary Agency in December 2013G, in order to be used to calculate the provision for doubtful debts because most of the Engineering sector policies are intended for long periods. The Company its provisions related to the Engineering sector on the basis of the activation date and not the due (maturity) date permitted in accordance with the circular mentioned above. The provision related to the accrued premiums for the Engineering sector was much lower.

Based upon the above analysis, the provision for premiums due from brokers is sufficient. The decrease in the number of days for accrued premiums during the year 2014G is due to the accelerating of the collection process from brokers which led to the decrease in the number of days of accrued premiums from 206 days in 2013G to 156 days in 2014G.

The table below shows the ages of receivable premiums and reinsurance premiums in accordance with the implementing regulation issued by the Saudi Arabian Monetary Agency, which should be adopted by insurance companies to account for the provision for doubtful debts

As of 31 December 2014G	0-90 days (SR'000)	91-180 days (SR'000)	181-360days (SR'000)	>360 days (SR'000)	Total (SR'000)
<b>Total</b>					
Brokers	3,635	868	3,033	2,124	9,66
Policyholders	3,320	3,264	1,326	660	8,570
Reinsurance	11,227	-	-	-	11,227
Subsidiaries and affiliates	1,538	-	-	-	1,538
<b>Total</b>	<b>19,735</b>	<b>4,141</b>	<b>4,360</b>	<b>2,760</b>	<b>30,996</b>
<b>Provision for doubtful debts</b>					
Brokers (Brokers)	-	131	758	234	1,123
Policyholders	-	490	332	547	1,368
Reinsurance	-	-	-	-	-
Subsidiaries and affiliates	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>621</b>	<b>1,090</b>	<b>781</b>	<b>2,491</b>
<b>Net</b>					
Brokers	3,652	746	2,276	1,796	8,469
Policyholders	3,320	2,774	995	182	7,271
Reinsurance	11,226	-	-	-	11,226
Subsidiaries and affiliates	1,538	-	-	-	1,538
<b>Total</b>	<b>-</b>	<b>4,029</b>	<b>3,651</b>	<b>19,735</b>	<b>28,505</b>
Provision for doubtful debts ratio in accordance with the implementing regulation of the Saudi Arabian Monetary Agency					
Required provision – Policyholders	0%	15%	25%	75%	
Required provision – Brokers (Brokers)	0%	15%	25%	75%	
Required provision – Reinsurance	0%	15%	25%	75%	

Source: Company

### Total technical reserves and reinsurers' share thereof

(SR'000)	31 December 2013G	31 December 2014G	Growth
Outstanding claims	9,593	15,730	64%
Claims incurred but not reported	5,504	17,451	217%
Additional reserve	4,042	2,909	-28%
<b>Total Outstanding Claims</b>	<b>19,138</b>	<b>36,089</b>	<b>89%</b>
<b>Total unearned premiums</b>	<b>18,066</b>	<b>24,281</b>	<b>34%</b>
<b>Total technical reserves</b>	<b>37,205</b>	<b>60,371</b>	<b>62%</b>
Reinsurance Share of Outstanding Claims	8,298	7,806	(6%)
Reinsurance Share of Claims incurred and not reported	3,660	9,778	167%
Reinsurance Share of the Gross Total of Outstanding Claims	11,958	17,584	47%
Reinsurance Share of Total unearned premiums	8,826	15,507	76%
<b>Total share of technical reserves reinsurance</b>	<b>20,784</b>	<b>33,090</b>	<b>59%</b>
Net technical reserves	16,421	27,281	66%

Source: Company

## The ratio of net technical reserves to Total by sectors

(SR'000)	31 December 2013G	31 December 2014G	Delta
Fire	19%	7%	(63%)
Marine	9%	3%	(67%)
Public Accidents	6%	21%	250%
Engineering	1%	1%	0%
Motor	63%	63%	0%
Protection and Savings	3%	4%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

Source: Company

Net technical reserves rose from 16.4 million SAR as of 31 December 2013G to 27.3 million SAR as of 31 December 2014G mainly due to the increase in the Outstanding Claims and Claims incurred but not reported to the Motor and Public Accidents Sectors.

## Total Outstanding Claims, Claims incurred but not reported and reinsurers' share thereof

(SR'000)	31 December 2013G	31 December 2014G	Growth
Fire	5,761	4,061	-30%
Marine	861	1,566	82%
Public Accidents	1,934	5,088	163%
Engineering	-	128	0%
Motor	883	3,209	263%
Protection and Savings	153	1,678	997%
<b>Total claims under the settlement</b>	<b>9,592</b>	<b>15,730</b>	<b>64%</b>
Fire	5,667	3,343	(41%)
Marine	822	1,413	72%
Public Accidents	1,686	1,590	(6%)
Engineering	-	118	0%
Motor	-	-	0%
Protection and Savings	123	1,342	991%
<b>Total reinsurance share of outstanding claims</b>	<b>8,298</b>	<b>7,806</b>	<b>-6%</b>
<b>Net outstanding claims</b>	<b>1,295</b>	<b>7,924</b>	<b>512%</b>
Reinsurance share of outstanding claims / Total outstanding claims			
Fire	98%	82%	916%)
Marine	95%	90%	(5%)
Public Accidents	87%	31%	(56%)
Engineering	0%	92%	92%
Motor	0%	0%	0%
Protection and Savings	80%	80%	0%
<b>Total</b>	<b>87%</b>	<b>50%</b>	<b>(37%)</b>

Source: Company Management

## Total Outstanding Claims

Total Outstanding Claims rose from 9.6 million SAR as of 31 December 2013G to 15.7 million SAR as of 31 December 2014G mainly due to the following:

### Public Accidents

Total Outstanding Claims for the Public Accidents Sector rose from 1.9 million SAR to 5.1 million SAR due to the presence two main claims related to Abdul Latif Jameel Company Limited for retail at a value of 3.3 million SAR

### Motor

Total Outstanding Claims for the Motor Sector rose from 0.9 million SAR to 3.2 million SAR a result of the increase in the number of claims from 238 claims during 2013G to 2624 claims as of 31 December 2014G, of which are 1,222 claims related to the eastern province, Moreover, during the year 2014G there was five major claims amounted to 300 thousand each, while in 2013G there was only one major claim.

### Protection and Savings

Total Outstanding Claims for Protection and Savings sector rose in 2014G by 1.5 million SAR due to the presence of four major death claims in exchange for one claim in 2013G.

### Reinsurers' share of Outstanding Claims

Reinsurers share of Outstanding Claims decreased from 8.3 million SAR as of 31 December 2013G to 7.8 million SAR as of 31 December 2014G mainly due to the following:

### Fire Insurance

Reinsurers share of Outstanding Claims decreased by 2.3 million SAR due to fact that the Company had 3 main fire claims during the year 2013G:

- The first relates to a fire policy for Al Watany Company for jewelry/Barakat that amounted to 2.3 million SAR, which was fully borne by the reinsurance company because the policy has been fully ceded to the reinsurance company since the relevant policy is not covered by the reinsurance contract as the terms and conditions of the related policy are not compatible with the reinsurance contract.
- The other remaining two claims relating to Abdul Latif Jameel Company for retail sale amounted to 2.7 million SAR where the proportion borne by the Company was only 12 thousand and the remaining amount was covered under the relevant reinsurance contract, facultative (optional) insurance contract and coinsurance agreements.

### Protection and Savings

Reinsurers' share of Outstanding Claims for the protection and savings sector amounted to 1.2 million SAR a result of the increase in the total outstanding claims by 1.5 million SAR where the reinsurers' share and the proportion borne by the Company according to the Proportional Reinsurance agreement was 80% and 20% respectively.

**Table (6-27) Total reinsurers' share of Claims incurred but not reported**

(SR'000)	31 December 2013G	31 December 2014G	Delta
Fire	2,277	3,754	65%
Marine	1,991	2,700	36%
Public Accidents	842	1,399	66%
Engineering	59	810	1273%
Motor	2,121	7,146	237%
Protection and Savings	2,255	4,550	100%
<b>Total Claims incurred but not reported (IBNR)</b>	<b>9,546</b>	<b>20,360</b>	<b>113%</b>
Fire	620	2,854	360%
Marine	928	2,343	152%
Public Accidents	268	114	(57%)
Engineering	40	708	1670%
Motor	-	-	0%
Protection and Savings	1,803	3,757	108%
Reinsure's Share of Claims incurred but not reported (IBNR)	3,660	9,777	167%
Net Claims incurred but not reported (IBNR)	5,886	10,583	80%

Source: Company Management

The Company registers claims incurred but not reported based on the external actuary reports. According to the report of the external actuary, the Company registered the claims incurred but not reported at the highest provision for claims incurred but not reported according to the methods used which are the Implementing Regulations issued by the Saudi Arabian Monetary Agency and the way the proportion of claims methodology as determined by the actuary.

The table below shows the total premiums in force per the different sectors which are recorded among the total claims incurred but not reported (IBNR) for each sector:

Total premiums reserve in force per sectors		
(SR'000)	31 December 2013G	31 December 2014G
Fire	1,887	1
Marine	580	0
Public Accidents	196	711
Motor	1,379	2,197
<b>Total premiums reserve in force</b>	<b>4,042</b>	<b>2,909</b>

Source: Company Management

Premiums in force reduced from 4 million SAR reserves as of 31 December 2013G to 2.9 million SAR as of 31 December 2014G as a result of the following:

- Reduction in the contingency reserve for the Fire sector from 1.8 million SAR as of 31 December 2013G to SAR 1,000 as of 31 December 2014G.
- Decrease in premium reserve in force for the Marine sector from 580 thousand to zero as shown above due to the decrease in the calculated loss by the external actuarial expert from 215% in 2013G to 69% in 2014G.

Premium reserve in force for the Motor Sector rose from 1.3 million SAR as of 31 December 2013G to 2.2 million SAR as of 31 December 2014G mainly due to the increase in the calculated loss by the external actuarial expert from 79% to 100% in 2014G.

Reinsurers share of claims incurred but not reported rose from 3.6 million SAR as of 31 December 2013G to 9.7 million SAR as of 31 December 2014G in a way that is consistent with the increase in the total claims incurred but not reported (IBNR).

### Total unearned premiums and reinsurers' share thereof

**Table (6-28) Total unearned premium and reinsurers' share thereof**

(SR'000)	31 December 2013G	31 December 2014G	Growth
Fire	5,288	6,610	25%
Marine	2,998	4,951	65%
Public Accidents	1,099	3,125	184%
Engineering	1,416	2,460	74%
Motor	7,265	7,136	(2%)
Protection and Savings	-	-	0%
<b>Total Unearned Premiums</b>	<b>18,066</b>	<b>24,281</b>	<b>34%</b>
Fire	3,905	6,283	61%
Marine	2,690	4,536	69%
Public Accidents	891	2,138	140%
Engineering	1,341	2,308	72%
Motor	-	242	0%
Protection and Savings	-	-	0%
<b>Reinsurers' share of unearned premiums</b>	<b>8,826</b>	<b>15,507</b>	<b>76%</b>
<b>Net unearned premiums</b>	<b>9,240</b>	<b>8,774</b>	<b>(5%)</b>
Unearned premiums / Gross Written Premiums			
Fire	33%	29%	(4%)

(SR'000)	31 December 2013G	31 December 2014G	Growth
Marine	34%	27%	(7%)
Public Accidents	32%	36%	4%
Engineering	97%	109%	12%
Motor	67%	31%	(36%)
Protection and Savings	0%	0%	0%
Reinsurers' share of unearned premiums / premiums ceded			
Fire	36%	28%	(8%)
Marine	35%	28%	(7%)
Public Accidents	31%	37%	6%
Engineering	91%	116%	25%
Motor	0%	77%	77%
Protection and Savings	0%	0%	0%

Source: Company Management

The total unearned premium reserves increased from SAR 18.1 million as of 31 December 2013G to SAR 24.3 million as of 31 December 2014G. This is primarily due to the increase in Gross Written Premiums during the year 2014G by SAR 41.3 million.

Unearned premium reserves to Gross Written Premiums ratio for the Motor Sector decreased from 67% as of 31 December 2013G to 31% as of 31 December 2014G. This is due to the fact that all Vehicle policies issued during 2013G were made in the six month period ended on 31 December 2013G While insurance policies for the year 2014G were issued during the entire year.

Unearned premium reserve for the Protection and Savings sector is due the fact that unearned premium reserves are calculated and acquired on a monthly basis.

The increase in reinsurers' share of unearned premiums was valued at 6.7 million SAR mainly as a result of an increase in the gross unearned premium reserves by 6.2 million SAR.

The decrease in reinsurance share total of unearned premiums as a percentage of gross premiums ceded from 31% as of 31 December 2013G to 28% as of 31 December 2014G in line with the decrease in a proportion of total unearned premiums of gross written premiums.

Reinsurers' share of unearned premiums for the Motor Sector is zero as of 31 December 2013G due to the fact that all Motor insurance policies are covered under the non-Proportional reinsurance agreement "Excess of Loss Agreement."

Reinsurers' share of premiums earned for the Vehicle Sector amounts to 242 thousand as of 31 December 2014G which represents the premiums covered by an facultative re-insurance agreement and coinsurance agreements.

## Deferred Policy Acquisition Costs

(SR'000)	31 December 2013G	31 December 2014G	Growth
Opening Balance	-	1,218	100%
Paid during the year	1,911	2,738	43%
Incurred during the year	(691)	(2,843)	311%
The year-end balance	1,218	1,113	(9%)
Deferred Underwriting costs/Commission paid during the year	64%	41%	(36%)

(SR'000)	31 December 2013G	31 December 2014G	Growth
Fire	282	293	4%
Marine	45	82	82%
Public Accidents	6	127	2017%
Engineering	98	221	126%
Motor	787	391	(52%)
Protection and Savings	-	-	0%
<b>Total</b>	<b>1,218</b>	<b>1,113</b>	<b>(9%)</b>

Deferred Underwriting costs / Commission paid during the year			
Fire	64%	49%	(15%)
Marine	50%	38%	(12%)
Public Accidents	16%	47%	31%
Engineering	91%	114%	23%
Motor	64%	27%	(37%)
Protection and Savings	-	-	0%
<b>Total</b>	<b>64%</b>	<b>41%</b>	<b>(23%)</b>

Source: Company

The Commission paid during the year rose from SAR 1.9 million as of 31 December 2013G to SAR 2.7 million as of 31 December 2014G due to the increase by SAR 8.4 million in Gross Written Premiums by the Company brokers.

While commissions incurred rose from SAR 0.7 million in the year 2013G to SAR 2.8 million in 2014G due to the increase in premiums written through Brokers from SAR 14.2 million in 2013G to SAR 22.7 million in 2014G.

The Company did not pay any deferred policy acquisition costs for the Protection and Savings sector during the years 2013G and 2014G due to the fact that the Protection and Savings policies relate to Alinma bank portfolio loans, which is classified as a direct client for the Company.

The ratio of deferred policy acquisition costs compared to the commission paid during 2013G and 2014G amounted to 64% and 41% respectively which is not fully consistent with the unearned premiums rate of Gross Written Premiums which are 35% and 26% respectively. This is mainly due to the fact that most premiums written through brokers were done during the last two quarters of 2013G, while in 2014G, premiums were written during the year.

The ratio of deferred policy acquisition costs to the commission paid decreased from 64% in 2013G to 41% in 2014G due to the fact that premiums earned during 2014G were greater than those earned in the year 2013G.

## Prepayments and other assets

(SR'000)	31 December 2013G			31 December 2014G		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Prepaid Rent	692	-	692	429	-	429
Prepaid Maintenance Expense	474	-	474	613	-	613
Prepaid Excess of Loss Expense	1,487	-	1,487	-	-	-
Other	721	-	721	302	12	314
<b>Total</b>	<b>3,374</b>	<b>-</b>	<b>3,374</b>	<b>1,344</b>	<b>12</b>	<b>1,356</b>
As a percentage of Total						
Prepaid lease	21%	0%	21%	32%	0%	32%
Prepaid Maintenance Expense	14%	0%	14%	46%	0%	45%
Prepaid Excess of Loss Expense	44%	0%	44%	0%	0%	0%
Other	21%	0%	21%	22%	100%	23%

Source: Company

### Lease

The lease paid in advance is attributed to the to the rent paid advance in relation to the headquarters of the Company and its branches in Jeddah and Al Khobar, where the maintenance expense paid in advance rose from 474 thousand as of 31 December 2013G to 613 thousand as of 31 December 2014G mainly due to the fact that during 2014G, the Company entered into a Software maintenance contract for the Protection and Savings sector at value of 291 thousand SAR, which covers the period from 15 November 2014G till 14 November 2015G.

### Excess of Loss expense paid in advance

Excess of Loss advance expense paid in advance decreased from 1.5 million SAR as of 31 December 2013G to zero as of 31 December 2014G due to the fact that in 2013G the Company paid the Excess of Loss expense for the 6 month period ended on 30 June 2014G through 2014G while the Company paid the related Excess of Loss expense until the period ending on 30 June 2015G and not in 2014G.

### Other

It is represented in the advance payments and other assets which mainly consist of housing allowance and health insurance expenses paid in advance for employees.

### Unearned Insurance Commission

(SR'000)	31 December 2013G	31 December 2014G	Growth
Opening Balance	-	1,665	100%
Received during the year	4,307	9,868	129%
Acquired during the year	(2,642)	(8,127)	208%
The year-end balance	1,665	3,406	105%

(SR'000)	31 December 2013G	31 December 2014G	Growth
Fire	948	1,274	34%
Marine	275	1,001	264%
Public Accidents	199	578	190%
Engineering	244	510	109%
Motor	-	43	100%

(SR'000)	31 December 2013G	31 December 2014G	Growth
Protection and Savings	-	-	0%
<b>Total</b>	<b>1,665</b>	<b>3,406</b>	<b>105%</b>
Unearned Insurance Commission/Received Commission per sectors			
Fire	22%	14%	-8%
Marine	6%	11%	5%
Public Accidents	5%	6%	1%
Engineering	6%	5%	(1%)
Motor	0%	0%	0%
Protection and Savings	0%	0%	0%
<b>Total</b>	<b>39%</b>	<b>36%</b>	<b>(3%)</b>

Source: Company

Unearned Reinsurance Commission rose from 1.7 million SAR as of 31 December 2013G to 3.4 million SAR as of 31 December 2014G mainly due to the increase in the Commission received during 2014G by 5.6 million SAR a result of the increase in premiums ceded by 27.4 million SAR.

The Company did not realize any income from unearned commissions in the Protection and Savings sector during the years 2013G and 2014G. This is due to the fact that related ceded premiums are paid to the relevant reinsurance companies on the basis of net risk premiums, therefore, the Company does not receive any Commission on ceded premiums.

The Company did not realize any income from unearned commissions for the Motor Sector as this sector was not covered through the Excess of Loss Agreement which does not require receiving Commission from the Reinsurance Company. This is the practice followed in the insurance and Reinsurance sectors for the non-Proportional agreements which include the Excess of Loss.

### Accrued expenses and other liabilities

(SR'000)	31 December 2013G			31 December 2014G		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Accrued salaries and wages	6,418	-	6,418	4,342	-	4,342
Accrued Brokers commission	1,549	-	1,549	2,194	-	2,194
Accrued Coinsurance commission	2,871	-	2,871	4,641	-	4,641
Payable Legal and professional fees	-	843	843	-	831	831
Payable remuneration of the Board of Directors	-	1,615	1,615	-	1,020	1,020
Other	1,147	76	1,223	2,209	165	2,374
<b>Total</b>	<b>11,985</b>	<b>2,534</b>	<b>14,519</b>	<b>13,386</b>	<b>2,016</b>	<b>15,402</b>
Proportion of the total						
Accrued salaries and wages	54%	0%	44%	32%	0%	28%
Accrued Brokers commission	13%	0%	11%	16%	0%	14%
Accrued Coinsurance commission	24%	0%	20%	35%	0%	30%
Payable Legal and professional fees	0%	33%	6%	0%	41%	5%
Payable remuneration of the Board of Directors	0%	64%	11%	0%	51%	7%
Other	10%	3%	8%	17%	8%	15%

Source: Audited Financial Statements

### Accrued salaries and wages

The accrued salaries and wages amounted to 6.4 million SAR as of 31 December 2013G, which include accrued salaries and wages to four key employees of the Japanese nationality, where the total salaries owed to them amounted to 3.4 million SAR while the remuneration due to the rest of the Company's staff represented about 2.4 million SAR. It also included fees owed to the actuarial expert, which amounted to 604 thousand SAR.

The balance of salaries and wages declined during 2014G by about 2 million Saudi SAR. This decline is largely due to the Company payment of 900, 000 SAR of salaries due to the previously mentioned Japanese employees, in addition to the payment of 900,000 SAR as part of the reward balance due for the staff. the Company has also paid the full amount owed to the actuary.

### Accrued Brokers' Commission

The accrued commission increased by 645 thousand as of 31 December 2014G as a result of an increase in premiums written through brokers at a value of 8.4 million SAR in 2014G.

### Accrued Co-insurance Commission

The Accrued Co-insurance Commission rose by 1.8 million SAR a result of the increase in co-insurance during the year 2014G by 3.5 million SAR. Coinsurance business is associated sectors mainly the Marine and Fire sectors.

### Board of director's owed remuneration

The balance of owed directors' remuneration decreased by 600 thousand SAR in 2014G . This is due to the Company's paying of a portion of the bonuses owed to the members of the Board of Directors during the year 2014G.

### Other entitlements

Other benefits primarily consist of accounts payable to policyholders, withholding tax on premiums ceded and supervision fees for the Saudi Arabian Monetary Agency and balances due to Najm company. Other benefits rose by 1.1 million SAR primarily due to the following reasons:

- Due to policyholders at a value of 700 thousand in 2014G due to the increase in the Claims approved to be paid, and
- Due to Najm company due to the increase in the Vehicle Claims in 2014G.

### Employee End of service benefits

(SR'000)	31 December 2013G	31 December 2014G
Openeing Balance	931	1,615
Charge duiring the year	744	775
Reversed during the year	-	(223)
Paid during the year	(60)	(597)
Closing balance	1,615	1,570

Source: Audited Financial Statements

End of service benefits balance dropped from 1.6 million SAR as of 31 December 2013G to 1.5 million SAR as of 31 December 2014G. This is mainly attributed to the following:

- During 2013G, the Company has charged the employee end of service benefit expenses for Hussein Owaini and Partners Company Ltd (former agent of Tokio Marine and Nichido Fire Insurance) to Tokio Marine and Nichido Fire Insurance Company at an amount of 223 thousand. During 2014G, the Company reversed that expense and charged it Hussein Owaini and partners Company Ltd, as this expense does not belong to the Company but for Hussein Owaini and partners Company Ltd.
- The Company paid 597 thousand during the year 2014G to 18 resigned employees during the years 2013G and 2014G. Most of these funds were paid to executive staff who joined the Company in the pre-operating and obtaining of licenses and final approvals phase for the establishment and operation of the Company.

### Accrued Zakat and Income Tax

(SR'000)	31 December 2013G	31 December 2014G	Growth
Balance at the beginning of the year	-	1,809	100%
Zakat charged during the year	2,233	980	-56%
Zakat paid during the year	(424)	(1,292)	205%
Balance at end of year	1,809	1,497	(17%)

	Submission of Zakatable Approval	Payment	Zakat Certificate	Type of Certificate	Outstanding Investigations	Zakat reference
31 December 2013G	Yes	Yes	Yes	Restricted	NO	Pending
31 December 2014G	Yes	Yes	Yes	Restricted	NO	Pending

Source: Audited Financial Statements

Accrued Zakat for the Company for the year is computed in accordance with the laws and terms of Zakat in force in the Kingdom of Saudi Arabia, and as the Zakat base for the year is higher than the net adjusted income / (loss), the zakat for the year is calculated at 2.5% on the Zakat base for the year. The difference between accounting income and adjusted net income / (loss) mainly to provisions that are not allowed to be included in the adjusted income accounts. It is noteworthy that the Company has provided its first zakat approval to the Department of Zakat and Income Tax for the period from 09 June 2012G to 31 December 2013G as well as for the year ended on 31 December 2013G and for the year ended on 31 December 2014G and has obtained restricted certificates for the period ended on 31 December 2013G and the year ended 31 December 2013G, and the Department of Zakat and Income Tax has not performed the final evaluation.

### 6-5-3 Statement of changes in shareholders' equity

(SR'000)	Capital	Accumulated Losses	Total	Accumulated Losses/Capital
Balance as of 09 June 2012G	200,000	-	200,000	
Balance as of 31 December 2013G				
operational costs related to the issuance of capital	-	(5,942)	(5,942)	
Total comprehensive loss for the period				
Net loss for the period from 09 June 2012G to 31 December 2013G	-	(73,050)	(73,050)	
Zakat for the period	-	(2,233)	(2,233)	
Balance as of 31 December 2013G	200,000	(81,225)	118,775	41%
Balance as of 01 January 2014G	200,000	(81,225)	118,775	
Total comprehensive loss for the period				
Net loss for the year ended on 31 December 2014G	-	(29,382)	(29,382)	
Zakat for the year		(980)	(980)	
As of 31 December 2014G	200,000	(111,587)	88,413	56%

Source: Audited Financial Statements

The Company's issued and paid capital amounts to 200 million SAR as of 31 December 2014G (201G: SR 200 million), consisting of 20 million ordinary shares (2013G: 20 million ordinary shares) at a nominal value of SR 10 per share.

Accumulated losses Consist of the following:

- Comprehensive losses at a value of 75.3 million SAR in the year ended on 31 December 2013G.
- Comprehensive losses at a value of 30.4 million SAR in the year ended on 31 December 2014G
- The cost of transactions at a value of 5.9 million related to the issuance of capital at a value of 200 million SAR. This amount was deducted from shareholders' equity as required by the International Accounting Standards (Standard No. 32)

## 6-5-4 Cash Flows

**Table (6-29) Statement of cash flows for the insurance operations**

(SR'000)	31 December 2013G	31 December 2014G
Operating Activities		
Net result of the year from insurance operations	-	-
Amendments to:		
Provision for doubtful debts	1,172	1,319
Losses for disposal of fixed assets	2	-
Consumption	2,159	1,782
End of service benefits for employees, net	1,615	-45
Income before changes in operating assets and liabilities	4,948	3,056
Changes in operating assets and liabilities:		
Operating assets		
Insurance and Reinsurance receivable premiums	(17,922)	(13,074)
Reinsurers' share of Outstanding Claims	(11,958)	(5,6260)
Reinsurers' share of unearned premiums	(8,826)	(6,681)
Deferred insurance policy Underwriting costs	(1,218)	105
Due to (from) shareholders' operations	(9,223)	9,725
Prepayments and other assets	(3,374)	2,030
Operating liabilities:		
Total Outstanding Claims	19,138	16,951
Receivable reinsurance balances	12,253	(1,820)
Total unearned premiums	18,066	6,215
Unearned reinsurance Commission	1,665	1,741
Accrued expenses and other liabilities	11,985	1,401
<b>Net cash from operating activities</b>	<b>15,534</b>	<b>14,023</b>
Investment Activities		
Purchase of fixed assets	(6,611)	(3,250)
Proceeds from disposal of fixed assets	1	-
<b>Net cash used in investing activities</b>	<b>(6,610)</b>	<b>(3,250)</b>
Net change in cash and cash equivalents	8,924	10,773
Cash and cash equivalents at the beginning of the year	-	8,924
<b>Cash and cash equivalents at the end of the year</b>	<b>8,924</b>	<b>19,697</b>

Source: Audited Financial Statements

The net cash consisting from operating activities is a positive balance, which means that the Company has a working capital and liquid assets sufficient to fund its operations and related liabilities

**Table (6-30) Statement of cash flows for the shareholders' operations**

(SR'000)	31 December 2013G	31 December 2014G
OPERATING ACTIVITIES		
Net loss for the year	(73,050)	(29,382)
Amendments to:		
Realized profit from investments Held for trading	(847)	(594)
Unrealized profit from investments held for trading	(191)	(136)
Loss before changes in operating assets and liabilities	(74,088)	(30,112)
Changes in operating assets and liabilities:		
Operating assets		
Due from a related party	(117)	62
Due from / to insurance operations	9,223	(9,725)
Prepayments and other assets	(26)	(12)
Statutory deposit	(20,000)	-
Accrued expenses and other liabilities	2,534	(518)
Paid Zakat	(424)	(1,292)
<b>Net cash used in operating activities</b>	<b>(82,898)</b>	<b>(41,597)</b>
Investment activities		
Procurement of Investments	(294,410)	(182,097)
Deposit of Murabaha deposits	(30,384)	-
Proceeds from accrued Murabaha deposits	15,000	15,410
Proceeds from sale of investments	250,065	194,000
<b>Net cash generated from / (used in) investment activities</b>	<b>(59,729)</b>	<b>27,313</b>
Financing Activities		
Issuance of Capital	200,000	-
Issuance of Capital operation costs	(5,942)	-
<b>Net change in Financing Activities</b>	<b>194,058</b>	<b>-</b>
Net change in Cash and cash equivalents	51,431	(14,284)
Cash and cash equivalents at the beginning of the year	-	51,431
Cash and cash equivalents at the end of the year	51,431	37,147

Source: Audited Financial Statements

## 6-6 Acceptable assets and financial solvency

**Table (6-31) Accepted assets**

(SR'000)	31 December 2013G	Acceptable Assets/Total Assets per Financial Statements	Acceptable Assets/Total Assets per Financial Statements	Acceptable Assets/Total Assets per Financial Statements
Cash and Cash Equivalent	60,355	100%	56,844	100%
Investments	45,383	56%	29,392	54%
Net Receivables Insurance and Reinsurance premiums	11,475	69%	18,757	66%
Reinsurers' Coverage	20,784	100%	33,091	100%
Deferred insurance policies underwriting costs	1,218	100%	1,113	100%
Due distributions from insurance operations	0	0%	502	100%
Advance payments and other assets	3,400	100%	1,356	100%
<b>Tangible Assets</b>	<b>4,449</b>	<b>100%</b>	<b>4,646</b>	<b>79%</b>
<b>Total Assets</b>	<b>147,044</b>	<b>75%</b>	<b>145,702</b>	<b>80%</b>

Source: Audited Financial Statements

Total Accepted assets in the table above are based on the acceptability factor (in other words, the proportion of acceptability for each class of assets) set by the Saudi Arabian Monetary Agency in the Implementing Regulations. If the percentage of a particular item of assets divided by the total assets is less than the acceptability factor, 100% of the product is considered acceptable.

It constitutes the primarily acceptable assets, after deducting the total liabilities, to compare it with solvency margin required by the Saudi Arabian Monetary Agency to ensure that the Company meets the adequate solvency.

According to the Saudi Arabian Monetary Agency Implementing Regulations: the maximum limit / concentration of each class of assets needs to be as a percentage of total assets 20%, and the Saudi Arabian Monetary Agency needs to make amendments manually to reflect the discounts resulting from the non-compliance with the regulatory limits for asset concentration percentage.

As of 31 December 2014G, cash and cash equivalents amounted to 56.8 million SAR and investments 34.2 million SAR where it exceeded the maximum limit of 20% for each class of assets sets forth by the Saudi Monetary Agency and amounted to 31% and 29% of total assets respectively.

**Table (6-32) Financial Solvency Analysis – Statement of Financial Solvency**

(SR'000)	31 December 2013G	31 December 2014G
<b>Accepted Assets</b>		
Policyholders' Operations (A)	50,224	78,647
Shareholders' Operations (B)	96,694	67,053
<b>Total Accepted Assets</b>	<b>146,918</b>	<b>145,700</b>
<b>Liabilities</b>		
Policyholders' Operations (C)	64,722	93,926
Shareholders' Operations (D)	13,566	3,513
<b>Total Liabilities</b>	<b>78,288</b>	<b>97,439</b>
<b>Net Accepted Assets</b>		
Policyholders' Operations (A-C)	-14,498	-15,279
Shareholders' Operations (B-D)	83,129	63,540
<b>Acceptable Asset Net Total (E)</b>	<b>68,631</b>	<b>48,261</b>
<b>Minimum Margin Required</b>		

(SR'000)	31 December 2013G	31 December 2014G
Solvency Margin Required (General Insurance)	5,445	10,498
Solvency Margin Required (Protection and Savings)	4,767	6,020
<b>Total Solvency Margin Required</b>	<b>10,212</b>	<b>16,518</b>
Minimum Capital Requirement		
<b>Total Minimum Margin Required (F)</b>	<b>10,212</b>	<b>16,518</b>
Increase (Impairment) in Acceptable Asset Net Total compared with Minimum Margin Required	58,416	31,743
Solvency Margin Coverage (E/F)	672%	292%

Source: Company

The solvency margin cover (in other words, the accepted net assets divided by the minimum required) was 292% as of 31 December 2014G, which is in excess of 100% which is the minimum required by the Saudi Arabian Monetary Agency (SAMA). This means that the accepted net assets were sufficient to cover the required solvency margin. Accordingly, the Alinma Tokio Marine corresponds with SAMA requirements with respect to the minimum solvency margin for the insurance companies.

In accordance with the Executive Regulation of the Saudi Arabian Monetary Agency (SAMA), the minimum capital requirement and the claim solvency margin methods do not apply in the first three years after the registration of the Company. Since the Company was founded on 09 June 2012G, it is still using the basis of insurance premiums in the calculation of the solvency margin.

### **Contingent Obligations or liabilities**

The Company does not have any Contingent Obligations or liabilities as of the end of the period ended on 31 December 2013G and the end of the fiscal year 31 December.2014G.

## 7. Capitalization and Indebtedness

The Company's Share Capital is two hundred million Saudi Riyals (SAR 200,000,000) comprising twenty million (20,000,000) shares with an equal nominal value of SAR 10 per share. The Founding Shareholders subscribed for (70%) of the Company's capital and paid their value in full, while the public subscribed for (30%) of the shares through an IPO during the period from Monday 26/4/1433H (19/03/2012G) until Sunday 02/05/1433H (25/03/2012G).

Directors confirm that the Company's capital is not covered by any option Right, and the Company has not given any privileges or preferential Rights for the Founding Shareholders or other shareholders.

The Company has also received recently approval from SAMA by letter No. 361000042979, dated 17/03/1436H (18/01/2015G) on the Company's capital increase in the amount of (250,000,000) two hundred and fifty million Saudi Riyals at a nominal value of SAR 10 per share through Rights Issue. Upon completion of the Offering, the Company's capital will become (SAR 450,000,000) four hundred and fifty million Saudi Riyals divided into (45,000,000) forty five million ordinary shares with a nominal value of ten (SAR 10) per share. On 19/10/1436H (corresponding to 4/8/2015G) the EGM approved the Board's recommendation to increase the Company's Capital.

The Board of Directors decided in its meeting on 02/01/1436H (corresponding to 26/10/2014G) to recommend to the EGM to increase the Company's capital from SAR 200,000,000 to SAR 450,000,000 through Rights Issue to reach the required solvency margin. The Extraordinary General Assembly held on 19/10/1436H (corresponding to 4/8/2015) approved the recommendation of the Board of Directors to increase the capital as mentioned. The increase will be limited to eligible shareholders who are registered at the end of trading session on the day of the EGM (Eligibility Date) according to the terms and conditions included in this Prospectus (Please refer to "Subscription Terms and Conditions" in this Prospectus").

**Figure (7-1): Capitalization and Indebtedness of the Company**

Insurance Operations Liabilities	31 December 2013 (SAR)	31 December 2014 (SAR)
Gross Unearned Premiums	18,066,000	24,281,000
<b>Total outstanding claims</b>	<b>19,138,000</b>	<b>36,089,000</b>
Reinsurers Payable	12,253,000	10,433,000
Accrued Expenses and Other Liabilities	11,985,000	13,386,000
End of service benefits for employees	1,615,000	1,570,000
Shareholders Operations Liabilities	-	502,000
Unearned Reinsurance Commission	1,665,000	3,406,000
<b>Total Insurance Operations Liabilities</b>	<b>64,722,000</b>	<b>89,667,000</b>
Shareholders' Liabilities		
Accrued expenses and other liabilities	2,534,000	2,016,000
Due Zakat and Payable Tax		1,497,000
Due to Insurance Operations	9,223,000	-
<b>Total Shareholders' Liabilities</b>	<b>13,566,000</b>	<b>3,513,000</b>
Shareholders' Equity		
Share capital	200,000,000	200,000,000
Accumulated Losses	(81,225,000)	(111,587,000)
<b>Total Shareholders' Equity</b>	<b>118,775,000</b>	<b>88,413,000</b>
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>197,063,000</b>	<b>181,593,000</b>

Source: Audited Financial Statements

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

- The Company has no issued or existing instruments, declared and not yet issued instrument, or any term loans which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.
- The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus
- It does not have any mortgage, Rights or incumbents on the Company's properties as at the date of this Prospectus.
- It has no contingent liabilities or securities as at the date of this Prospectus.
- The Company's capital is not under option as of the date of this Prospectus.
- The Company will have sufficient working capital to cover the 12 months following the date of this Prospectus.
- Other than the accumulated losses indicated in section 6-2 "Board Declarations regarding Financial Information", there has been no material adverse change in the financial and trading position of the Company during the previous three years directly preceding the request for admission and listing of the new Right Issue Shares in addition to the period covered by the auditor's report until the date this Prospectus.
- The Company has not amended its capital since its incorporation with a capital of 200,000,000 (share capital at incorporations).

## 8. Dividends Policy

The Company's dividend policy is in compliance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as the provisions of the Company's By-laws approved by the Constitutional General Assembly. Article 44 of the Company's By-Laws defines the Company's dividend policy as below:

- 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, 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 the purpose or specific purposes decided by the Ordinary General Assembly.
- Part of the balance remains after withheld to the statutory reserve shall be distributed to the Shareholders as an initial payment which shall represent not less than 5% of the paid-up capital.
- 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 to be deducted from the annual profits referred to herein above, may be distributed in accordance with applicable rules and regulations issued by competent authorities such as SAMA and Ministry of Commerce and Industry. No dividends have been distributed up to the date of this Prospectus due to accumulation of losses during the previous years.

No dividends have been distributed since the incorporation of the Company until the date of this Prospectus due to accumulation of losses during the previous years.

The New Shares will be entitled to receive their due portion of dividends, if any, to be announce by the Company during the following financial years.

## 9. Description of Capital and Shares

### 9-1 Share Capital

The share capital of the Company is SAR 200,000,000 consisting of 20,000,000 shares of equal nominal value of SAR 10 per share. The Founding Shareholders subscribed for 14,000,000 shares representing (70%) of the Company's capital and paid their value in full, while the public subscribed for 6,000,000 shares representing (30%) of the shares through an IPO during the period from Monday 26/4/1433H (19/03/2012G) until Sunday 02/05/1433H (25/03/2012G). The Company has not given any privileges or preferential Rights for the Founding Shareholders or other shareholders.

### 9-2 Capital Increase

The Share Capital of the Company has not undergone any increase since incorporation of the Company. However, the Company may, based on a resolution passed by the EGM and after approval of the competent authorities including SAMA and CMA, increase its capital once or more providing that the original capital has been paid in full. The resolution shall specify the method of capital increase.

### 9-3 Decrease of Capital

The Extra-Ordinary Meeting, based on acceptable justifications and subject to the approval of SAMA, CMA and Ministry of Commerce and Industry, 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 (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 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.

### 9-4 Shares

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. However, the shares subscribed for by the Founding Shareholders will not be tradable for three full years not than twelve months each from the date of incorporation. These provisions shall apply to the shares subscribed for by the Founding Shareholders if capital raise is effected prior to expiry of the restriction period. However, cash shares may be transferred during the restriction period in accordance with terms governing the transfer of shares from one founding shareholder to another or to a board member as a guarantee of membership, or from a diseased founder's heirs to third parties.

The Company's By-Laws are silent about any recovery or repurchase Rights regarding the Company's shares. Therefore, reference shall be made to the Companies Regulation, Article 104 in particular, that allows depreciation of Shares by purchasing such shares by the Company provided that their price shall be less than or equal to their nominal value to be gradually depreciated if legitimate or be based on temporary Rights as stipulated in Article 105 of the Companies Regulations which allows the Company to purchase its shares if the purpose thereof is to depreciate such shares or reduce the capital or if shares are part of a group of assets purchased by the Company with its assets and liabilities.

### 9-5 Voting Rights

Every Shareholder holding 20 shares or more will have the Right to attend and vote at 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. Each share represented in the meeting has only one vote in the general assembly meetings.

Resolutions of an EGM shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another company or establishment (Subject to SAMA approval). In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Any shareholder shall have the Right to discuss the matters put on the Agenda of the General Meeting as well as to address pertinent questions to the Directors and the Auditors. The Directors and Auditors shall answer shareholders' questions to such an extent that would not jeopardize the Company's interest. In case a shareholder feels that the answer to his question is unsatisfactory he may appeal to the General Meeting whose decision shall be final in this respect.

## 9-6 Rights to the Dividends

- Shareholders' profits will be from the returns of Shareholders' funds investment according to the rules set forth by the Board.
- Shareholders' share of the surplus will be as stated in paragraph 5 of Article 43 of the Company's By-Laws which stipulates the distribution of the net surplus by either distributing 10% to the insured directly or reduce their premiums for the next year and 90% shall be carried forward to the Shareholders income accounts.
- Dividends shall be distributed to Shareholders 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, 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 the purpose or specific purposes decided by the Ordinary General Assembly.
  - Part of the balance remains after withheld to the statutory reserve shall be distributed to the Shareholders as an initial payment which shall represent not less than 5% of the paid-up capital.
  - 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 to be deducted from the annual profits referred to herein above, may be distributed in accordance with applicable rules and regulations issued by competent authorities such as SAMA and Ministry of Commerce and Industry. No dividends have been distributed up to the date of this Prospectus due to accumulation of losses during the previous years.

## 9-7 Rights to the surplus assets upon winding up the Company

The Company expires with the expiry of its term according to its By-Laws or according to the provisions of the Companies Regulations. Upon expiry of its term or in case it is decided to dissolve the Company before the expiry of its term, the Extra-Ordinary General Meeting shall, upon a recommendation of the Board of Directors, determine the mode of the winding up, appoint one or more liquidators and determine their powers and remuneration. The powers of the Board of Directors shall cease upon the dissolution of the Company. However, the Board shall continue the management of the Company until the liquidator is appointed. The Company's other organs shall retain their respective powers to the limits that are not incompatible with the powers of the liquidators. Upon liquidation, consideration must be given to protect shareholders Rights to oversubscription surplus and reserves built as per the provisions of Articles 43 and 44 of the Company's By-Laws.

## 10. Use of Offering Proceeds

### 10-1 Net Offering Proceeds

The total proceeds from the Rights Issue Offering are estimated at SAR 250,000,000 (two hundred and fifty million Saudi Riyals), out of which an amount of SAR 4,000,000 (four million Saudi Riyals) is expected to be used to cover the expenses relating to the Offering, including fees of each of the Financial Advisor, Legal Advisor, lead Manager and Underwriters in addition to the marketing expenses, Receiving Entities, printing and distribution expenses and other offering related expenses.

The net proceeds of the Offering are hence expected to be SAR 246,000,000 (two hundred and forty six million Saudi Riyals) million, after deducting all the expenses related to the Offering. The net offering proceeds will be used by the Company mainly to raise the solvency rates and margins to meet the solvency requirements. Offering proceeds will also be used to finance the Company's expansion plans that aim to enhance the Company's distribution capacities relating to protection and saving products targeting individuals and institutions. The Founding Shareholders will not receive any offering proceeds.

The Company will submit a quarterly report detailing its use of Offering Proceeds and will announce the developments in this regard to the Public.

### 10-2 Use of Net Proceeds

Insurance companies in the Kingdom of Saudi Arabia conduct their business in accordance with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations as amended by SAMA from time to time. Article 66 of the Implementing Regulations stipulates that an insurance company that conducts health and general insurance shall maintain a Minimum Solvency Margin by adopting the highest of the following three methods:

- Minimum Capital Requirement
- Premiums Solvency Margin
- Claims Solvency Margin

An insurance company needs to assess its assets for calculating the actual solvency margin so that the Net Admissible Assets are at a minimum of the above mentioned solvency Margin, This requirement translates into a minimum Solvency Margin Cover (Net Admissible Assets of 100%) (Net Admissible Assets in the Solvency Margin divided by the minimum solvency margin). Following is the proposed use of Offering Proceeds:

**Figure (10-1): Use of Offering Proceeds**

Description	Amount (SAR Million)
Total Offering Proceeds	250
Estimated Offering expenses	4
Net Offering Proceeds	246
Legal Reserve (10% of the Paid Up Capital)	25
Short term investment	143.65
Medium to long term investments	77.35

Source: Company

#### Medium to long term investments

The Company intends to use the net proceeds of capital increase (after deducting the statutory deposit and offering expenses), for investment according to investment channel in the law of Supervision of Cooperative Insurance Companies. The value of investments is estimated at around SAR 221,000,000 (two hundred and twenty one million Saudi Riyals) including 65% as short to medium term investment products and 35% as medium to long term investment products. The following table indicates the expected Contribution of net Offering Proceeds to improve the Company's Solvency Margin during the following years.

**Figure (10-2): Contribution of net Offering Proceeds to improve the Company's Solvency Margin**

Description (SAR Million)	2015	2016	2017	2018	2019	2020
Minimum Capital Requirement	100	100	100	100	100	100
Required Solvency Margin	21	24	28	35	46	60
Minimum Solvency Margin	100	100	100	100	100	100
Net Admissible Assets in Solvency Margin	268	266	269	277	294	322
Solvency Margin Cover (%)	268%	266%	269%	277%	294%	322%

Source: Company

Information included in the above table are estimations and actual costs may differ from such estimations.

### 10-3 Proposed Expansion Plan

In compliance with the Cooperative Insurance Companies Control Law and Its Implementing Regulations the statutory deposit should represent 10% of the paid up capital. Therefore the Company will deposit an additional amount of SAR 25,000,000 (Saudi Riyals Twelve five Million) so that the statutory reserve after the Capital increase will become SAR 45,000,000 (forty five million Saudi Riyals).

The Company intends to use the net proceeds of capital increase (after deducting the statutory deposit and offering expenses), to invest in investment Motor included in the Cooperative Insurance Companies Control Law. Part of the Offering Proceeds will be used to finance the Company's expansion plans that aim to enhance the Company's distribution capacities relating to protection and saving products targeting individuals and institutions.

**Figure (10-3): Structure of proposed investments**

Description	SAR Million
Short term investment	143.65
Medium to long term investments	52.35
Expansion Expenses	25
<b>Total Investment</b>	<b>221</b>

Source: Company

With regard to the Company's expansion expenses which the Company intends to finance using a part of the net offering proceeds, the following table shows the main phases, timeframe and estimated costs as follows:

**Figure (10-4): Time Table for Expansion Plans**

Description	Time
Establishment of 6 new branches	July 2016
Increasing the number of direct sales team	July 2017
Establishment of 3 new branches, so the branches will become 9	July 2018
Establishment of 3 new branches, so the branches will become 12	July 2019

Source: Company

The following table depicts the estimated costs relating to the Company's expansion phases:

**Figure (10-5): Expansion Plan Phases and Costs**

Phase	Estimated Costs (SAR Million)	Time Frame
Establishment of 12 new branches phase	15.3	Within 3 years from July 2016 to July 2019
Support of new products phase	5.9	Starting July 2017
Other expenses associated with expansion phases	3.8	Within 3 years from July 2016 to July 2019
<b>Total</b>	<b>25</b>	

Source: Company

Information included in the above tables are estimations and actual costs may differ from such estimations.

## 11. Declarations by the Directors, Senior Executives

### 11-1 Directors' declarations regarding Financial Statements and Board Secretary

The Directors declare that all of the financial information presented in the Prospectus is extracted without material change from the Company's audited financial statements for the period from 9 June 2012G until 31/12/2012 and for the financial year ended on 31/12/2013G and the financial statements were prepared and examined in accordance with the International Financial Reporting Standards (IFRS).

The Director also declare that the Company has reviewed the anticipated financial cash follows required for its works within the next 12 months and it believes that it will have sufficient financial resources to meet working capital requirements during this period and the Directors declare that the Company has sufficient working capital to cover its activities for the next twelve (12) months as of the date of this Prospectus.

There has been no substantial negative change in the Company financial and commercial positions during the last three years and until the date of this Prospectus.

The Directors confirm that there are no seasonal factors or economic cycles relating to the Company business that may affect the Company's business and financial conditions. Moreover, the Company's operations have not been affected by any governmental, economic, financial, monetary or political policies or any other factor (directly or indirectly).

Save as what is disclosed elsewhere in this Prospectus, and as of the date of this Prospectus, the Directors, Senior executives and Board Secretary declare the following:

- They have not declared bankruptcy at any time and they were not subjected to bankruptcy proceedings.
- They have not been employed in a managerial or supervisory capacity by an insolvent company in the five years preceding the date of this Prospectus.
- With the exception of what was mentioned in page (5-2 "Board of Directors") of this Prospectus with regard to the Guarantee Shares or other shares owned by the Directors, they do not themselves, nor do any relatives or affiliates, have any direct or indirect interest in the Company's shares or debt instruments until the publication date of this Prospectus.
- Neither they nor any of their relatives or affiliates have any material interest in any contract or arrangement that is effective or planned to be concluded relating to the Company's business upon submitting the Prospectus.
- There have been no adverse material changes in Company's financial or commercial conditions during the last three years preceding directly the date of listing and admission application as well as the period contained in the auditor's report until approval of this Prospectus.
- The Company does not grant any cash loan of any kind or collaterals to loan with a third party for any of its directors in compliance with Article 71 of the Companies Law.
- There has been no interruption in the Company's business that may affect or have materially affected its financial conditions within the last 12 months.
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the last three years immediately preceding the date of submitting the listing application in relation to the publication or issuance of any securities.
- There is no intention or tendency to make any fundamental change in the nature of the activity of the Company.
- The Company has not issued any debt instrument nor does it have any term loan as at the date of this Prospectus and neither the Company's nor its affiliates' assets are under option.
- As of the date of this Prospectus, the Company has no affiliate or sister company inside or outside the Kingdom of Saudi Arabia.

### 11-2 Other Declarations

The Company's Board members also acknowledge that, according to the Company's by-law and other Constitutional documents, there is no:

- Authority that enables a member of the Board of Directors or the Chief Executive Officer to vote on any contract or suggestion wherein he has a substantial interest in.
- Authority that enables a member of the Board of Directors or the Chief Executive Officer to vote on decisions relating to their fees and remuneration.
- Authority that enables a member of the Board of Directors, the chief executive officer or a Company executive to borrow sums from the Company.
- The Company strictly complies with Article 69 & Article 70 of the Companies Law and Article 18 of Corporate Governance Regulations.

## 12. Legal Information

### 12-1 Summary of the Company's By-laws

The Company's By-Laws include the following items. The complete version of the By-Laws will be available for inspection at the Company's Head office. There are many actions that require SAMA's approval including, but not limited to, capital increase or decrease, dividends distribution, transfer of Founding Shareholders' shares, merger with other companies, liquidation and appointment of directors.

#### A. Name of Company

Alinma Tokyo Marine Company

#### B. The Company's Head Office

The Company's head office is located in the city of Riyadh and may be, under a resolution by the Extra-Ordinary General Meeting, relocated to another city in the Kingdom of Saudi Arabia subject to SAMA approval. The Company may establish branches, offices or agencies in or out of the Kingdom of Saudi Arabia subject to SAMA approval.

#### C. Objectives of the Company:

The objective of the Company is to engage in cooperative insurance operations and all related activities, such as reinsurance, agencies, representations, correspondence and brokerage, all in accordance with the provisions of the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules and regulations in force in the Kingdom. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or investing its funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established or acquired by the Company or in participating with other entities subject to SAMA approval.

The Company may acquire or have interest or participate in any way with other 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 conduct such activities inside or outside the Kingdom of Saudi Arabia.

#### D. Company Term:

The term of the Company will be 99 Gregorian years from the issuance of the resolution of the Minister of Commerce and Industry announcing the formation thereof, which term can always be extended by a resolution by the Extra-Ordinary General Meeting one year at least prior to expiry of such term.

#### E. Share Capital

The share capital of the Company is SAR 200,000,000 (Two Hundred Million Saudi Riyals) divided into 20,000,000 (Twenty Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals).

Founding Shareholders subscribed for 14,000,000 (Fourteen Million) shares representing 70% of the share capital. The remaining 60,000,000 (Sixty Million) shares representing 30% of the total shares were offered for public subscription through an IPO.

#### F. Capital Decrease:

The Extra-Ordinary 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 it 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 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.

#### G. Share trading:

The Company's shares are tradable in accordance with the rules and regulations issued by CMA subject to presenting the share certificates. However, as an exception, the shares subscribed for by the Founding Shareholders prior to the issuance of balance sheet will not be tradable for 2 full years, not than twelve months each (Ban Period) from the date of incorporation. This rule applies to the shares subscribed by the constituting shareholders in case of capital increase prior to the lapse of ban period. However, the ownership of cash shares may be transferred – in line with the Equity Sale Rules – by one constituent to another or to a director of the Board to be provided as qualification shares, or from the heirs of any constituent shareholders – after their death – to third party.

#### **H. Qualification Shares:**

Each Board director shall provide at least (5000) qualifying shares against the contracts made between him and the Company and which are approved by the Ordinary General Meeting. This blockage Right includes also any payable dividends.

The Board of Directors, subject to the approval of the competent authorities, upon exercising the blockage Right of the qualifying shares presented by the directors of the Board against the contracts made between them and the Company, may sell such shares provided the debt has become due and after serving the second notice by a registered letter to the debtor shareholder requesting settlement of such debt within two weeks, and if debtor shareholder refuses such request, the Board may sell such shares through TADAWUL and use the proceeds for settlement of debt and other liabilities payable to the Company, and the balance, if any, will be refunded to such shareholder, his guardian, executor or heirs.

#### **I. Board of Directors**

The Company shall be managed by a Board of Directors consisting of eight (8) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. Such appointment may not prejudice the Right of Corporate Person to replace his representative on the Board.

The office of a director shall be vacated with the end of its term, upon resignation or death of the director, or if it appears to the board that such director has violated his duties to the detriment of the Company's interests as approved by the General Meeting, or with the end of his term under any regulations or valid rules in the Kingdom, or if he absents himself for more than three consecutive meetings without valid reasons, or if he becomes bankrupt or insolvent or has filed an accommodation with his creditors or discontinued payment of his debts, or if he becomes insane or has committed any dishonourable, or is convicted of forgery. If the office or a director is vacated during the year, the Board shall have the authority to appoint another director in his place provided such appointment is presented to the first next meeting of the General Assembly. The new director shall complete the term of the previous director. If the Board meeting did not attain the required quorum, a General Meeting shall be called for in the nearest possible time to appoint the necessary number of directors.

#### **J. Board Powers**

Without prejudice to the powers reserved for the general assembly, the Board shall have the widest powers to manage the Company's affairs and businesses. The Board may, within the limits of its authorities, deputize one or more of its members or third party to carry out specific assignments.

#### **K. Board's remuneration**

The remuneration of the chairman of the board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum.

The chairman and each director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Board's sub-committees in addition to the actual expenses incurred for attending the board or executive committee 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 to provide written details of proposed remuneration to all shareholders before the general assembly to which such remuneration will be presented for voting. The Company must ensure to obtain the approval of the general assembly of the terms of remuneration at which general assembly meeting neither the chairman nor any senior managing directors shall have voting Rights. However, the remuneration of directors may be amended with the approval of SAMA and the Extra-Ordinary General Meeting.

#### **L. Chairman and Managing Director**

The Board of Directors shall appoint one of its members as chairman and the board shall appoint a managing director for the Company from the members of the board. The chairman and the managing director shall have the authority to sign on behalf of the Company and to implement the board decisions. The chairman and managing director shall represent the Company before judicial bodies and third parties. The chairman and the managing director shall have the powers to delegate their duties to others. The managing director shall be responsible for the executive management of the Company.

#### **M. Board Meetings and Resolutions**

The board shall be called to convene in the head office of the Company by its chairman and when requested to convene such meeting by two members of the board. The call to convene shall be documented in the way deemed appropriate by the board. The board may convene outside the Company's head office. The board shall meet four times within a fiscal year provided the period between meetings shall not exceed four months.

The meeting of the board shall not have a quorum unless attended by at least two thirds (23) of the members provided that the members attending in person shall not be less than four directors. Without prejudice to the provisions of Article 15 of the By-Laws, a director may represent another director at the meeting.

The board's resolutions shall be passed by 2/3 majority vote of the present or represented members at least. Board resolutions may be issued by members voting by circulation. The chairman's voting Right shall be the same, and will not exceed, as those of other directors. The board may pass its resolutions by circulation unless any director requests in writing a meeting to discuss such resolutions in which case such resolutions shall be presented to the board at its first 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 director, without exclusion from the number required for the quorum, shall not participate in the deliberations and voting at the board or executive committee as the case may require in respect of such matter or proposition.

Board members are not entitled to conclude any insurance agreements in which they have interest with the Company unless with the approval of SAMA.

The board shall appoint a secretary for the board, and the chairman of the board may appoint an advisor or more in respect of the different matters of the Company and fix their remuneration.

The chairman of the board, managing director and directors shall be liable, each within his area of authority, for the violation of the Company's By-Laws.

#### **N. Board Committees:**

##### **Audit Committee:**

The Audit Committee shall consist 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 of directors, as approved by SAMA, MOCI and CMA.

##### **Executive Committee:**

The board of directors shall form an executive committee consisting of not less than three (3) members and not more than five (5) members. The executive committee members shall appoint from among them a chairman to chair the committee meetings, and in his absence the committee may select an ad-hoc chairman from among its present members. An executive committee member may appoint another member who has a voting Right his proxy for three meetings only. The membership term of the executive committee shall be the same as of the board and the board shall fill the vacancy in the Executive Committee.

In addition to any instructions made by SAMA or the Board of Directors, the Executive Committee shall assume all powers prescribed by SAMA or the Board. The Executive Committee shall assist the managing director or general manager, within the powers entrusted to them.

The meeting of executive committee shall not have a quorum unless attended by at least two members in presence or by way of proxy provided the number of members attending in person is not less than two. Resolutions of the executive committee shall be passed unanimously, and in case of disagreement resolutions will be passed by the majority of three quarters of the members attending in person or by proxy. The committee holds its meetings from time to time as deemed necessary by its chairman, however it should meet at least six times a year. The executive committee meeting shall also be held if so requested by two members at least. The resolution will be passed if approved in writing by two members of the committee.

#### **O. Ordinary General Meeting:**

1. A valid general meeting represents all the shareholders. It shall be held in the town where the head office of the Company is located.

Each shareholder regardless of the number of shares he holds shall have the Right to attend the constituent general meeting in person or on behalf of other subscribers. Each shareholder holding title to at least twenty shares shall have the Right to attend the general meeting personally or may delegate another shareholder who is not a director to attend the general meeting.

The meeting of the ordinary general assembly shall not have a quorum unless attended by shareholders representing at least 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a notice shall be sent for a second meeting to be convened within the following thirty (30) days of the previous meeting. The invitation to this meeting shall be published in the way prescribed in Article 88 of Companies Act. The second meeting shall be deemed valid irrespective of the number of shares represented.

2. An EGM shall not be deemed valid unless attended by shareholders representing at least fifty per cent (50%) of the Company's capital. If such quorum is not attained in the first meeting, a notice shall be sent for a second meeting to be convened. The invitation to this meeting shall be published in the way prescribed in Article 88 of Companies Act. The second meeting shall be considered valid if attended by a number of shareholders representing at least one-quarter (1/4) of the Company's capital.

#### **P. Resolutions of General Meetings:**

Resolutions of the constituent and general meetings will be passed with the absolute majority of shares represented at the meeting. However, if such resolutions related to assessment of in-kind shares or special privileges, the approval of the majority of subscribers to cash shares representing two thirds of the said shares excluding the subscribed in-kind shares or special privileges must be obtained. Such subscribers shall not have voting Rights in such resolutions even if they were cash shares subscribers.

Resolutions of an EGM shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the decrease of the capital, the extension of the duration of the Company or the liquidation by merger into another company or establishment in which cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

#### **Q. Auditors**

The ordinary general meeting shall appoint 2 (two) auditors annually from among the auditors licensed to operate in the Kingdom and fix their remuneration. The OGM may further reappoint the same auditors.

#### **R. Fiscal Year**

The fiscal year of the Company shall start on January 1 and end on December 31 of the same year. However, the first fiscal year of the Company shall commence on the date of the ministerial resolution declaring its incorporation and shall end on December 31 of the following year.

#### **S. Distribution of Profits**

The Company's annual net profits shall be distributed as follows:

1. Zakat and income tax allocations are to be held, 20% of the net profits shall be withheld to form a statutory reserve. Transfer to this reserve may be stopped once its balance is equal to the paid-up capital of the Company.
2. The ordinary general meeting may, at the board's recommendation, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes as decided by the ordinary general meeting,
3. The balance shall be paid to shareholders as an initial payment of not less than 5% of the paid-up capital,
4. The balance shall be distributed among the shareholders as a share in the profits or transferred to retained earnings account,
5. 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 applicable rules and regulations issued by competent authorities

The Company shall inform SAMA and CMA without delay of any resolutions for distribution of dividends or any recommendations to this effect. Payment of dividends to shareholders will be made in the place and on the dates as resolved by the board of directors in line with the instructions of the Ministry of Commerce and Industry subject to SAMA prior written approval.

If the total of the Company's losses amount to three-quarters of its capital, the directors shall call an EGM to consider whether the Company shall continue to exist or dissolve prior to the expiry of its term as specified in Article (5) of the Company's By-Laws. The EGM resolution shall be published in the official gazette

#### **T. Dissolution and Winding up of the Company**

The Company will end with the expiration of its term as per these Articles or the Companies Act. Upon expiry of Company term, or if dissolved prior to expiry of its term, the EGM, based on a proposal by the board of directors, shall decide the method of liquidation, appoint one or more liquidator(s) and fix 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 administrative departments shall retain their respective powers to the extent that such powers do not conflict with the powers of the liquidators

#### **U. Rules and Regulations:**

The provisions of the Cooperative Insurance Companies Law and its Implementing Regulations, Companies Act and the CMA Rules and Implementing Regulations shall apply to any other matters not covered herein.

The Company's By-Laws did not provide for the ability of the Company to repurchase its shares, therefore reference in this point must be made to Article 104 of the Companies Act which allows depreciation of shares by the repurchase thereof by the Company provided the repurchase price is less than or equal to the share nominal value, or in case of a project, this will be amortised gradually or be assessed on the basis of temporary Rights, in conjunction with the provision of Article 105 of the Companies Act which allows the Company to repurchase its shares if the purpose of such repurchase is to depreciate its shares or decrease the capital or if the shares were part of the funds purchased by the Company with its Rights and liabilities. The Company's By-Laws did not either cover the rules governing the amendment of share Rights and classes, nor were such rules discussed at any of the Company's general meetings.

## 12-2 Incorporation

Alinma Tokyo Marine Company was established as a Saudi Joint-Stock Company subsequent to the resolution of the Council of Ministers No. 140 dated 02/05/1430 (27/04/2009) and Royal Decree No. M/25 dated 03/05/1430H (28/04/2009G) under the Cooperative Insurance Companies Control Law issued vide Royal Decree No. 32/M dated 06/02/1424H and the Companies Act issued vide Royal decree No. M/6 dated 22/03/1385H and amendments.

The Company has been registered in the Commercial Register in Riyadh, Kingdom of Saudi Arabia under No. 1010342527 on 28/07/1433H (18/06/2012G).

The share capital of the Company is SAR 200,000,000 (Two Hundred Million Saudi Riyals) divided into 20,000,000 (Twenty Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals). Founding Shareholders subscribed for 14,000,000 (Fourteen Million) shares representing 70% of the share capital. The remaining 60,000,000 (Sixty Million) shares representing 30% of the total shares were offered for public subscription through an IPO.

In addition to its head office in the city of Riyadh, the Company has two branches in AL-Khobar and Jeddah details of which are as follows:

- **Al-Khobar Branch:**

This branch is located at Al-Dewan Commercial Centre, King Abdulaziz Road, as per commercial registration certificate No. 2051053893 dated 13/09/1434 (21/07/2013) and is managed by Mr. Abdullah bin Khneifer bin Damouk Al Rasheedi. As per commercial registration certificate, the activity of the Branch is identical to the Company's activity. Present commercial registration certificate expires on 13/09/1437H (18/06/2016G).

- **Jeddah Branch:**

This branch is located at Al-Ruwais Square Building, Hail Road as per commercial registration certificate No. 4030252374 dated 13/09/1434 (21/07/2013) and is managed by Mr. Talal bin Omar Ahmed Bahafii. As per commercial registration certificate, the activity of the branch is identical to the Company's activity. Present commercial registration certificate expires on 13/09/1437H (18/06/2016G).

## 12-3 Licenses:

The Company was established as a public joint-stock company as per the resolution issued by the Council of Ministers resolution No. 140 dated 02/05/1430 (27/04/2009) and Royal decree No. M/25 dated 03/05/1430H (28/04/2009G).

As non-Saudi and non-GCC investors participate in the Company's capital, the Company, as a mixed entity, applied for a license to GIA and obtained a service investment license under No. 102031078439-01 dated 16/01/1426 (07/03/2005) valid to 22/01/1439H (12/10/2017G).

The Company has also obtained a permit to conduct insurance business from SAMA under No. T M N/33/20129 dated 14/11/1433H (30/09/2012G) which enables the Company to conduct insurance business in the Kingdom of Saudi Arabia in the general, health, protection and saving insurance fields.

The Company is also registered with DZIT under No. 3006961868 and has presented its reports for the past years including the period ending 08/06/2013G. Therefore, the Company has been issued a restricted "non-final" certificate not eligible for payment of final installments issued by Large Institutions Department at DZIT under No. 6612 dated 09/02/1435H (12/12/2013) in which DZIT confirms that the Company has submitted its tax report for the period ending 08/06/2013G, the Company has been issued this certificate "to enable the Company to finalize all its transactions excluding payment of its final dues from resulting from its contracts". This certificate is valid up to 14/12/1435H (30/04/2014G).

The Company is also registered with GOSI under No. 505280156 and has been issued a certificate confirming fulfillment of its obligations to GOSI up to the date of the certificate, 26/04/1436H (15/12/2015G). This certificate covers the period up to 31/12/2015G.

The Company has a Premium membership in the Riyadh Changer of Commerce and Industry under No. 101000283085 as evidenced in a Premium Membership Certificate issued on 31/12/2014 valid to 31/12/2015G.

The following is a summary of licenses and permits obtained by the Company:

**Figure (12-1): Key Licenses and Permits obtained by the Company**

License	Issuing Authority	License No.	Issue date	Expiry Date
Foreign Investment License	GIA	/01-102031078439/	26/1/1426H corresponding to 7/3/2005.	22/1/1439H corresponding to 12/10/2017
License to conduct insurance business	SAMA	T M N/33/20129	14/11/1433H corresponding to 30/9/2012.	Unlimited
DIZT Certificate	DIZT	/3006961868/	Cert. No.10587 Dated 30/06/1436H corresponding to 20/4/2015	23/7/1437H corresponding to 30/4/2016
GOSI Certificate	GOSI	/505280156/	Certificate No 18112623 dated 26/4/1436H corresponding to 15/2/2015	Coveing the period to 01/02/1437H corresponding to 13/11/2015
Chamber of Commerce Certificate	Riyadh Chamber of Commerce	/101000283085/	9/3/1436H corresponding to 31/12/2014	19/3/1437H corresponding to 31/12/2015

Source: Legal Report

## 12-4 Major shareholders holding in excess of 5% of the Company's capital as of 31 Dec 2014

**Table (12-2): major shareholders as of 31 Dec 2014:**

Name	Nationality	No of shares	Nominal value	%
Tokyo Marine & Nichido Fire Insurance	Japanese	5,750,000	57,500,000	28.75%
Alinma Bank	Saudi	5,750,000	57,500,000	28.75%
SABIC Industrial Investments Company	Saudi	1,000,000	10,000,000	5.00%
Saudi Establishment for Trading & Distribution	Saudi	1,000,000	10,000,000	5.00%

Source: Legal Report

## 12-5 Board of Directors

In line with its By-Laws, the Company will be managed by a Board of Directors consisting of 8 members appointed by the Ordinary General Meeting for a term not exceeding 3 years.

The Directors of the Board are as follows:

**Table (12-3): Director of the Board:**

### Board Members

Name	Post	Age	Nationality	Capacity	Representing	Date of Appointment	Held Shares			
							Direct	%	Indirect	%
Abdul Mohsen bin Abdulaziz Al Faris	Chairman	52	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	962*	0.0048%
Hisato Hamada	Member	54	Japanese	Non-Executive/ Non-Independent/	Tokio Marine and Nichido Fire Insurance	14/6/1433H	1.000	0.005%	27**	0.0001%
Fahad bin Mohammed Al Semari	Member	56	Saudi	Non-Executive/ Non-Independent	Alinma Bank	14/6/1433H	1.000	0.005%	-	-
Ken Kamikochi***	Member	64	Japanese	Non-Executive/ Non-Independent	Tokio Marine and Nichido Fire Insurance	2/1/1436H	1000	0.005%	-	-

Name	Post	Age	Nationality	Capacity	Representing	Date of Ap- pointment	Held Shares			
							Direct	%	Indirect	%
Faisal bin Ibrahim Sweilim	Member	42	Saudi	Non-Executive/ Non-Independent	Sabic Industrial Investments Co.	1/8/1436H	-	-	-	-
Mutlaq bin Hamad Al Morished	Member	56	Saudi	Independent	Public Shareholders	14/6/1433H	51.000	0.255%	42****	0.0002%
Essam Abdulaziz Banaja	Member	65	Saudi	Independent	Public Shareholders	14/6/1433H	110	0.00055%	-	-
Khalid bin Abdullah Al Romaih	Member	55	Saudi	Independent	Public Shareholders	14/6/1433H	125	0.00063%	-	-

Source: Company

\* Resulting from his ownership of (1000) shares in Alinma Bank and they are guarantee shares based on article 68 of the Companies Regulations since Mr. Abdul Mohsen bin Abdulaziz Al Faris is a board member of Alinma Bank where he possesses shares.

\*\* Resulting from his ownership of shares in Tokio Marine Holding Company, which fully owns the shares of Tokio Marine and Nichido Fire Insurance

\*\*\* The Company has obtained SAMA's approval to appoint Ken Kamikochi as a non-executive member representing Tokio Marine and Nichido Fire Insurance Ltd to complete the membership period of Abdulrafiq Haroon Jiddawi who resigned from the Board during the year 2014G as stated in the letter of SAMA no. (351000154562), dated 27/12/1435H (corresponding to 21/10/2014G). His appointment was approved by the General Assembly of the Company shareholders held on 1/8/1436H corresponding to 19/5/2015G. Except for Mr. Ken Kamikochi, all board members were appointed by the Constituent Assembly held on 14/6/1433H corresponding to 5/5/2012G.

\*\*\*\* Resulting from his ownership of shares in Alinma Bank

Based on article 68 of Companies Regulations, the board member shall possess a number of shares in the amount of no less than ten thousand Saudi Riyals. These shares are allocated to guarantee his responsibility in the Company management. Members Essam Abdulaziz Banaja, Khalid Abdullah Al Romaih and Faisal Ibrahim bin Sweilim will purchase as soon as possible during the year 2015G sufficient number of the Company shares of a total value equal to (SAR 10.000) ten thousand Saudi Riyals.

In line with article 38 (1) of the Implementing Regulations of Cooperative Insurance Companies Control Law, no board member shall possess more than 5% of the Company shares.

In addition, neither the other board members, executive managers nor the board secretary or any of their relatives have any direct or indirect interest in the Company up to the date of this Prospectus.

The ordinary general assembly of the Company shareholders was held on 1/8/1436H corresponding to 19/5/2015G and approved the following:

- The appointment of Ken Kamikochi as a non-executive member to complete the board membership period of Mr. Abdulrafiq Haroun Jiddawi as from 22 October 2014G until the completion of the current board term on 09 June 2015G.
- The election of a board for new term starting 09/06/2015G and for three years as follows:
  - Abdulmohsen Abdulaziz Al Faris, representing Alinma Bank
  - Fahad Mohammed Al Semari, representing Alinma Bank
  - Ken Kamikochi, representing Tokio Marine Nichido Fire Insurance
  - Hisato Hamada, representing Tokio Marine Nichido Fire Insurance
  - Faisal bin Ibrahim Sweilim, representing Sabic Industrial Investments Company.
  - Mutlaq bin Hamad Al Morished
  - Khalid Abdullah Al Romaih
  - Dr. Essam Abdulaziz Banaja

The approval of appointing Mr. Faisal bin Ibrahim Al Sweilim to represent Sabic Industrial Investments Company instead of Mr. Mutlaq bin Hamad Al Morished, who became a member representing the public shareholders. The board membership term of Mr. Khalid bin Mohammed Al Aboudi ended on 9/6/2015G.

## 12-6 Summary of major contracts and agreements

As part of the activities and services it conducts, the Company concluded a number of agreements with related and other parties on commercial basis and at arm's length, as follows:

### A. Agreements with related parties:

- Partnership agreement: A partnership agreement was made among the constituent shareholders: Tokyo Marine & Nichido Fire Insurance, Alinma Bank, SABIC Industrial Investments Company, Saudi Trading and Distribution Company, Abdullah bin Mohammed bin Abdulaziz Al-Rumaizan and Saudi Jean Company Ltd., a shareholders agreement for 10 years effective 18/04/1432H (23/03/2011G) (i.e. before commencement of incorporation processes).
- Under this agreement, the constituent shareholders agreed to proceed with the formation of the Company and to set the main frameworks for organizing the incorporation process and then to manage its operations and investments. The agreement provides for the mechanism of assignment of shares and also the mechanism for appointment of directors of the board by the constituent shareholders.
- The agreement also provides for the necessity for any new shareholders to sign a commitment note undertaking to abide by the partnership agreement provided that shareholders who acquire the shares through TADAWUL are excluded from this obligation.
- Service Level Agreement: between the Company and the Sharia Commission of Alinma Bank which aims to formulate a general frame work for the mechanism of operation with the Company, particularly with the Sharia Committee of the Company. Based on this agreement, the Sharia Commission of Alinma Bank commits to provide Sharia audit activities and issuance of periodical reports regarding the compliance of the Company's documentation and products and services with the principles of Islamic Sharia against a fee of SAR 170,000 per year.
- The term of agreement commences on 28/04/2013G and shall continue in force unless terminated or amended by either party under a prior 30-day notice. The Alinma Bank Sharia commission cooperates and liaises with the Sharia Committee of the Company as part of providing the Sharia advisory services in respect of the Company's products, contracts and activities.
- Agreement for Management of Private Investment Portfolio (Growth Oriented Portfolio): between the Company and Alinma Investment Company (a subsidiary of Alinma Bank) under which the latter undertakes to manage an investment portfolio of the Company which consists of liquid and non-liquid assets including all required services such as conclusion of agreements, payment of any financial liabilities, for a fixed annual fee of 1% of the value of portfolio assets as evaluated on monthly basis. One of the terms of this portfolio management stipulates that investments by the Company shall be in permissible financial tools as per the rules set by the Company's Sharia Committee. The agreement does not bear a signature date and is for unlimited period, it shall continue in force unless terminated or amended by either party under a prior 30-day notice at least.
- Agreement for Management of Private Investment Portfolio (Balanced Strategy Portfolio): between the Company and Alinma Investment Company (a subsidiary of Alinma Bank) under which the latter undertakes to manage an investment portfolio of the Company which consists of liquid and non-liquid assets including all required services such as conclusion of agreements, payment of any financial liabilities for a fixed annual fee of 0.9% of the value of portfolio assets as evaluated on monthly basis. One of the terms of this portfolio management stipulates that investments by the Company shall be in permissible financial tools as per the rules set by the Company's Sharia Committee. The agreement does not bear a signature date and is for unlimited period, it shall continue in force unless terminated or amended by either party under a prior 30-day notice at least.
- Agreement for Management of Private Investment Portfolio (Protection Oriented Portfolio): between the Company and Alinma Investment Company (a subsidiary of Alinma Bank) under which the latter undertakes to manage an investment portfolio of the Company which consists of liquid and non-liquid including all required services such as conclusion of agreements, payment of any financial liabilities for a fixed annual fee of 0.8% of the value of portfolio assets as evaluated on monthly basis. One of the terms of this portfolio management stipulates that investment by the Company shall be in permissible financial tools as per the rules set by the Company's Sharia Committee. The agreement does not bear a signature date and is for unlimited period, it shall continue in force unless terminated or amended by either party under a prior 30-day notice at least.
- The above three Portfolio Management Agreements are linked to a master agreement signed between the Company and Alinma Investment Company under which the Company shall give its clients the option to invest in any of the above three portfolios when they opt to invest in insurance-linked products
- Insurance Agency Agreement: between the Company and Alinma Cooperative Insurance Agency (a subsidiary of Alinma Bank) signed on 19/05/1436H (10/03/2015G). Under this agreement the Company appoints Alinma Cooperative Insurance Agency as non-exclusive agent in the Kingdom of Saudi Arabia to introduce and promote certain Sharia compliant insurance services within the terms and controls provided in the agreement against a commission payable by the Company to the agent. The term of this agreement is 3 years renewable for another term. Either party may terminate this agreement by serving a prior 180-day notice to the other party.

- Service level Agreement: between the Company and Alinma Cooperative Insurance Agency (a subsidiary of Alinma bank) signed on 10/03/2015G as an annexure to the above agreement and aims to introduce and promote certain Sharia compliant insurance services to the clients of Alinma Bank through the Bank's sale channels. This agreement shall continue in force until terminated by either party.
- The Company did not incur any subscription costs against deferred insurance policies for protection and saving sector and which belong to Alinma Bank in the years 2013 and 2014G as such plans related to the loans portfolio of Alinma Bank which is classified as a direct customer of the Company.

#### B. Service Agreements with other parties:

- Infrastructure Support Agreement: signed on 01/01/2014G between the Company and Najia Abdulatif Jameel Computer Technology Company under which the latter commits to provide support and general pre-emptive maintenance to the information and technical system being used by the Company in its operations. The term of the agreement is one year commencing on 01/01/2014G and is renewable for a similar period unless terminated by either party by serving the other party a prior 30-day notice.
- Program Maintenance Agreement: signed on 10/05/2013 between the Company and Saudi Infotec Company under which the latter commits to provide support and maintenance services for the loading and use of the present version of the program and to rectify and provide updated versions for application. The agreement is valid for 12 months commencing from 10/05/2013G renewable by a purchase order by the Company before the renewal date. Either party may terminate the agreement by serving the other party a prior 30-day notice from the expiry of first contractual year.
- Program Support and Maintenance Agreement: signed on 01/12/2013G between the Company and Centegy Technologies under which the latter commits to provide support and maintenance services for the programs used and to adjust and provide updated versions for application for the period from 01/12/2013 to 30/11/2014G.
- Memorandum of Understanding: signed on 11/06/2014G between the Company and Najm Insurance Services Company under which the Company enters as a new partner in Najm Insurance Services Company, provided the latter's By-Laws shall be amended accordingly. The Company will pay the partner's share without any interests to support the Company business.
- Offer to provide financial Information Auditing Services dated 11/06/2014G by BWC Company. The offer was approved and signed by the Company provided this will include the auditing of the accounts of the fiscal year ending 31/12/2014G.
- Undertaking Letter dated 01/01/2014 by Protevity Middle East to provide internal audit and risk documentation in support of the internal audit plan and also to provide audit services of the Company's accounts. This undertaking letter was accepted and signed by the Company on 02/01/2014.
- Undertaking Letter dated 26/05/2014 by KPMG Al Fawzan & Al-Sadhan for auditing of Company's accounts for the fiscal year ending 31/12/2014 in conjunction with another audit firm. This undertaking letter was accepted and signed by the Company.

#### C. Reinsurance Agreements:

The Company has signed a number of agreements for reinsurance of its activities which imply different terms and conditions depending on the product covered by each agreement. The following is a list of reinsurance arrangements made by the Company:

Reinsurance Agreement	1
Agreement No.	12740D14
Parties	Reinsured: Alinma Tokyo Marine Reinsurer: Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering Works, Marine shipping and miscellaneous events)
Date/Duration of Agreement	12 month from 01/07/2014 to 30/06/2015G
Geographical scope of cover	Kingdom of Saudi Arabia
Reinsurance Agreement	2
Agreement No.	12741D14
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering works and marine shipping)
Date/Duration of Agreement	12 month from 01/07/2014 to 30/06/2015G
Geographical scope of cover	Kingdom of Saudi Arabia

<b>Reinsurance Agreement</b>	<b>3</b>
Agreement No.	11083D14
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Motor, Public Liability to Second Party, Labour compensation and labour Liability)
Date/Duration of Agreement	12 month from 01/07/2014 to 30/06/2015G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>4</b>
Agreement No.	10317D14
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Total Loss Excess Account
Date/Duration of Agreement	12 month from 01/7/2014 to 30/06/2015G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>5</b>
Agreement No.	DTTL744
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering works, marine shipping and miscellaneous events)
Date/Duration of Agreement	12 month from 01/7/2014 to 30/06/015G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>6</b>
Agreement No.	DTTL758
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering works, marine shipping )
Date/Duration of Agreement	12 month from 01/7/2014 to 30/06/2015G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>7</b>
Agreement No.	11083D13
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Motor, Public Liability to Second Party, Labour compensation and labour Liability)
Date/Duration of Agreement	12 month from 01/06/2013 to 31/05/2014G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>8</b>
Agreement No.	10317D13
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Total Loss Excess Account
Date/Duration of Agreement	12 month from 01.7.2014 to 30.06.2015
Geographical scope of cover	Kingdom of Saudi Arabia

<b>Reinsurance Agreement</b>	<b>9</b>
Agreement No.	DSTL744
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering works, marine shipping and miscellaneous events)
Date/Duration of Agreement	12 month from 01.7.2014 to 30.06.2015
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>10</b>
Agreement No.	DSTL744
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire and marine shipping)
Date/Duration of Agreement	12 month from 01/06/2012 to 31/05/2013G
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>11</b>
Agreement No.	-
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Motor, Public Liability to Third Party, Labour compensation and labour Liability)
Date/Duration of Agreement	12 month from 01.06.2012 to 31.05.2013
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>12</b>
Agreement No.	-
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Saudi Willis Company Limited
Nature of Cover	Reinsurance of Loss Excess (Fire, Engineering works and miscellaneous events)
Date/Duration of Agreement	12 month from date of notice
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>13</b>
Agreement No.	-
Parties	Reinsured: Alinma Tokyo Marine Reinsurer: Hanover Re Company
Nature of Cover	Reinsurance of Loss Excess (Alinma Bank clients)
Date/Duration of Agreement	12 month from 29.06.2014 to 28.06.2015
Geographical scope of cover	Kingdom of Saudi Arabia
<b>Reinsurance Agreement</b>	<b>14</b>
Agreement No.	-
Parties	Reinsured: Alinma Tokyo Marine Reinsurer : Hanover Re Company
Nature of Cover	Reinsurance of Loss Excess (Alinma Bank clients)
Date/Duration of Agreement	12 month from 29.06.2014 to 28.06.2015
Geographical scope of cover	Kingdom of Saudi Arabia

#### D. Insurance Agreements favoring Alinma Bank:

Insurance Agreement	1
Title of Agreement	Policy No: P/102/12102/2013/0009 Extension Policy No: E/102/12102/2014/0004
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	All Property Risks Insurance Policy
Duration of Agreement	12 months from 19/3/2014 to 18/3/2015G
Description of Agreement	Under this policy, the insurer undertakes, in case of any damages to any properties insured hereunder for any reason other than the exceptions, during the cover validity, to pay to the policyholder the value of insured properties at the time of damage or, if selected by the insurer, to replace the insured properties or any part thereof or reinstate it to its original position prior to the occurrence of damage as per the terms and exceptions of this policy.

Insurance Agreement	2
Title of Agreement	Policy No P/102/114101/2013/0005 Extension Policy No E/102/14101/2014/0006
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Cash Risks Insurance Policy
Geographical Cover	Kingdom of Saudi Arabia
Duration of Agreement	12 months from 2/8/2014 to 1/8/2015G
Description of Agreement	Under this policy, the insurer undertakes, during the cover validity, to compensate the policyholder for the damages resulting from loss or theft of cash, any damages to any vault or message checker machine and/or any container or box used to carry the cash as result of theft or attempt to steal the monies unless such damage was insured more particularly and/or the dresses and personal effects and monies of the policyholder or any partner, general manager or officer due to an attack for stealing of monies which may occur in this position, subject to the rules, additional exceptions, policy terms, general exceptions and policy terms.

Insurance Agreement	3
Title of Agreement	Policy No P/102/12102/2013/0005 Extension Policy No E/102/12102/2014/003
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	All Property Risks Insurance Policy
Duration of Agreement	12 months from 19/03/2014 to 18/03/2015
Description of Agreement	Under this policy, the insurer undertakes, in case of any damages to any properties insured hereunder for any reason other than the exceptions, during the insurance validity, to pay to the policyholder the value of insured properties at the time of damage or, if selected by the insurer to replace the insured properties or any part thereof or reinstate it to its original position prior to the occurrence of damage as per the terms and exceptions of this policy.

Insurance Agreement	4
Title of Agreement	Blanket Cover for Credit Risks group protection
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Blanket Cover for Credit Risks Group Protection
Duration of Agreement	From the date of customer enrolment in the principal policyholder plan
Description of Agreement	Under the present policy, the insurer shall compensate the customers of policyholder who participate in the Credit protection plan upon their death or total permanent disability.

<b>Insurance Agreement</b>	<b>5</b>
Title of Agreement	Blanket Cover for Credit Risks group protection
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Blanket Cover for Credit Risks group protection
Duration of Agreement	From the date of customer enrolment in the principal policyholder plan
Description of Agreement	Under the present policy, the insurer shall compensate the customers of policyholder who participate in the credit protection plan upon their death

#### **E. Insurance schedules favouring Alinma Bank:**

<b>Insurance Schedule</b>	<b>1</b>
Title of Agreement	Policy No P/13/0100001/03
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Blanket Cover for Credit Risks group protection
Geographical Cover	All countries except Syria, Iraq and Afghanistan
Duration of Agreement	12 months from 1/5/2014 to 30/4/2015G
Description of Agreement	Under the present policy, the insurer shall compensate the customers of policyholder who participate in the Credit protection plan upon their death for any reason or total permanent disability due to accident or disease.

<b>Insurance Schedule</b>	<b>2</b>
Title of Agreement	P/13/0050001/03
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Blanket Cover for Credit Risks group protection
Geographical Cover	All countries except Syria, Iraq and Afghanistan
Duration of Agreement	12 months from 1/5/2014 to 30/4/2015G
Description of Agreement	Under the present policy, the insurer shall compensate the customers of policyholder who participate in the Credit protection plan upon their death only for any reason.

<b>Insurance Schedule</b>	<b>3</b>
Title of Agreement	P/13/0100002/03
Parties	Insurer: Alinma Tokyo Marine Policy holder: Alinma Bank
Type of Agreement	Blanket Cover for Credit Risks group protection
Geographical Cover	All countries except Syria, Iraq and Afghanistan
Duration of Agreement	12 months from 1/5/2014 to 3/4/2015G
Description of Agreement	Under the present policy, the insurer shall compensate the customers of policyholder who participate in the Credit protection plan upon their death for any reason and total permanent disability due to accident or disease.

#### F. Insurance Policies made in favor of Alinma Tokyo Marine:

Insurance Agreement	1
Title of Agreement	P/14/0000001/01
Parties	Insurer: Alinma Tokyo Marine Policyholder: Alinma Tokyo Marine
Type of Agreement	Blanket Cover for Credit Risks group protection
Duration of Agreement	12 months from 15/1/2014 to 14/1/2015G Renewal date:15/1/2015G
Description of Agreement	Under the Group Protection Plan, the insurer shall compensate the employees of policyholder who participate in the plan upon their death for any reason and total permanent disability due to accident or disease as well as the (potential) war risk

Insurance Agreement	2
Title of Agreement	Cooperative Insurance Health Agreement between Bupa and Alinma Tokyo Marine Co.
Parties	Insurer: Saudi Bupa For Cooperative Insurance Company Policyholder: Alinma Tokyo Marine
Type of Agreement	Cooperative Insurance Health Agreement
Duration of Agreement	12 months from 15/01/2014 to 14/01/2015
Description of Agreement	Under this policy, the insurer shall provide health care benefits for the 256 customers of policyholder as per the terms and conditions of this agreement. The validity of this agreement has expired.

Insurance Agreement	3
Title of Agreement	Cooperative Insurance Health Agreement between Bupa and Alinma Tokyo Marine Co.
Parties	Insurer: Saudi Bupa For Cooperative Insurance Company Policyholder: Alinma Tokyo Marine
Type of Agreement	Cooperative Insurance Health Agreement
Duration of Agreement	12 months from 15/01/2015 to 14/01/2016
Description of Agreement	Under this policy, the insurer shall provide health care benefits for the 281 customers of policyholder as per the terms and conditions of this agreement.

#### G. Insurance schedules favoring Alinma Tokyo Marine Company:

Insurance Schedule	1
Title of Agreement	Policy No: P/101/12101/2013/0024 Extension No: E/101/12101/2014/0021
Parties	Insurer: Alinma Tokyo Marine Policyholder: Alinma Tokyo Marine
Type of Agreement	Fire and Special Risks Policy schedule
Duration of Agreement	12 months from 1/4/2014 to 31/3/2015G
Description of Agreement	The policy handles the compensation by the insurer to the policyholder in case of fire or any special risks in accordance with the terms and conditions of the schedule. This schedule does not bear any signature.

Insurance Schedule	2
Title of Agreement	Policy No. P/14/0000001/2
Parties	Insurer: Alinma Tokyo Marine Policyholder: Alinma Tokyo Marine Company
Type of Agreement	Group Protection
Duration of Agreement	12 months from 15/1/2015 to 14/1/2016G Extension Date 15/1/2016G
Description of Agreement	The policy handles the compensation by the insurer to the policyholder in case of the death of any of the participants in the plan for any reason and in case of total permanent disability resulting from an accident or a disease.

#### H. Insurance Brokerage Agreements:

Insurance Brokerage Agreement	1
Title of Agreement	Insurance Brokerage Agreement between Alinma Tokyo Marine Company and Insurance Brokers Union Company
Parties	Insurance Company: Alinma Tokyo Marine Cooperative Insurance Company Broker: Insurance Brokers Union Company
Type of Agreement	Insurance Brokerage Agreement
Duration of Agreement	One year commencing from the date of signature and is renewable automatically for similar periods every three years if not terminated by either party under a notice to the other party.
Description of Agreement	The Broker shall conduct insurance brokerage business favouring the insurance company against a certain commission and in line with the terms and conditions of brokerage agreement.

Insurance Brokerage Agreement	2
Title of Agreement	Insurance Brokerage Agreement between Alinma Tokyo Marine Company and Golden Nouran Insurance Brokerage Company
Parties	Insurance Company: Alinma Tokyo Marine Cooperative Insurance Company Broker: Golden Nouran Insurance Brokerage Company
Type of Agreement	Insurance Brokerage Agreement
Duration of Agreement	One year commencing from the date of signature and is renewable automatically for similar periods every three years if not terminated by either party under a notice to the other party
Description of Agreement	The Broker shall conduct insurance brokerage business favouring the insurance company against a certain commission and in line with the terms and conditions of the Brokerage Agreement

Insurance Brokerage Agreement	3
Title of Agreement	Insurance Brokerage Agreement between Alinma Tokyo Marine Company and Saudi Arabian Ion Company Ltd.
Parties	Insurance Company: Alinma Tokyo Marine Cooperative Insurance Broker: Saudi Arabian Ion Company Ltd.
Type of Agreement	Insurance Brokerage Agreement
Duration of Agreement	Unlimited. May be terminated by either party subject to a prior written 90-day notice.
Description of Agreement	The Broker shall conduct insurance brokerage business favouring the insurance company against a certain commission and in line with the terms and conditions of the Brokerage Agreement

Insurance Brokerage Agreement	4
Title of Agreement	Insurance Brokerage Agreement between Alinma Tokyo Marine Company and Saudi Arabian Marsh Insurance Reinsurance Brokerage Company
Parties	Insurance Company: Alinma Tokyo Marine Cooperative Insurance Broker: Saudi Arabian Marsh Insurance Reinsurance Brokerage Company
Type of Agreement	Insurance Brokerage Agreement
Geographical Cover	Kingdom of Saudi Arabia
Duration of Agreement	12 months from 1/1/2014G
Description of Agreement	The Broker shall conduct insurance brokerage business favouring the insurance company against a certain commission and in line with the terms and conditions of the Brokerage Agreement

Insurance Brokerage Agreement	5
Title of Agreement	Insurance Brokerage Agreement between Alinma Tokyo Marine Company and The Saudi Public Insurance Reinsurance Company
Parties	Insurance Company: Alinma Tokyo Marine Cooperative Insurance Broker: The Saudi Public Insurance Reinsurance Company
Type of Agreement	Insurance Brokerage Agreement
Geographical Cover	Kingdom of Saudi Arabia
Duration of Agreement	12 months from 1/6/2013 to 31/5/2014G
Description of Agreement	The Broker shall conduct insurance brokerage business favouring the insurance company against a certain commission and in line with the terms and conditions of the Brokerage Agreement. The validity of this agreement has expired.

#### I. Summary of Rental Agreements:

The Company signed a number of rental agreements in respect of its head office and branch buildings:

No. 1: Rental Agreement at Al-Mousa Residential Commercial Complex:	
Property	Commercial Office No. 356
Owner	Arabian Services Group Company
Annual rent	SAR 80,750
Duration of rent	One year commencing on 10/10/1433H (28/08/2012G). Renewable for similar period unless otherwise requested by a written notice by either party to the other.

No. 2: Rental Agreement at Al-Umam Office and Commercial Complex	
Property	Property No 606 – Office with an area of 242m2
Owner	Al-Umam Office and Commercial Complex
Annual rent	SAR 209,330
Duration of rent	One year commencing on 01/11/1434H (07/09/2013G). Renewable for similar period unless otherwise requested by a written notice by either party to the other.

No 3: Rental Agreement at Al-Dewan Commercial Centre - AlKhobar	
Property	Office No 204 Area 239m2
Owner	Dewan Al-Jazeera Residential Compounds Company
Annual rent	SAR 129,000
Duration of rent	5 years commencing on 09/09/2011G and ending on 08/09/2016G, renewable automatically unless otherwise requested by either party by a written notice to the other.

#### No 4: Office Rental Agreement

Property	Apartment No 201, 202, 203, 204 (Four Offices) of the building of Mohammed and Hassan And Hussain Ghazi Ibrahim Shaker at Western Baghdadia District, Hail Street, Jeddah
Owner	Mohammed and AlHassan and AlHussain Ghazi Ibrahim Shaker
Annual rent	SAR 240,000
Duration of rent	One year commencing on 15/09/2012G and ending on 14/09/2013G unless either party requests otherwise by a written notice.

#### No.5: Rental Agreement at Princess Al Anoud tower

Property	Whole area of the twenty-first floor. A total area of 917 m2
Owner	Princess Al Anoud Bint Abdulaziz bin Musaid bin Jalawi Al Saud establishment.
Annual rent	SAR 641,900
Duration of rent	Ten Gregorian years commencing on 01/03/2014G, renewable.

## 12-7 Employment Contracts of Senior Executives

The Company signed a number of employment contracts with senior executives working at the Company all of which are subject to the Saudi Labour Law and the competent judicial authorities. The following is a summary of the provisions of these contracts:

#### A. Mr. Jun Hemmi

Title:	Chief Executive Officer
Contract Commencement date:	01/02/2015G
Contract Term:	The term of the contract is fixed for one Gregorian year renewable automatically unless either party has notified the other party 30 days prior to the expiry of original or extended duration of his wish not to extend the contract. This contract may be terminated by either party for any valid reason subject to a prior written notice to the other party before thirty days. The Company may also terminate the contract without prior notice in case of default by Mr. Hemmi of any of his obligations or if he has committed any dishonorable act or taken any action which detracts the reputation of the Kingdom or the Company.
Salary and Allowances:	Under this contract Mr. Hemmi is paid a monthly basic fixed salary plus the usual benefits assigned for holders of this position such as housing allowance, transportation allowance and health care.
Obligations:	Based on this contract, Mr. Hemmi undertakes to observe the rules, regulations and traditions of the Kingdom of Saudi Arabia. He will also abide by the present and future rules, by-laws and policies of the Company. He further undertakes to observe the confidentiality and not to compete with the Company as long as he is an employee of the Company.
	This contract is still valid.

#### B. Mr. Farid Faruq Khimani

Title:	Chief Financial Officer
Contract Commencement date:	03/06/2011G
Contract Term:	The term of the contract is fixed for one Gregorian year renewable automatically unless either party has notified the other party 30 days prior to the expiry of original or extended duration of his wish not to extend the contract. This contract may be terminated by either party for any valid reason subject to a prior written notice to the other party before thirty days. The Company may also terminate the contract without prior notice in case of default by Mr. Khimani of any of his obligations or if he has committed any dishonorable act or taken any action which affects the reputation of the Kingdom or the Company.
Salary and Allowances:	Under this contract Mr. Khimani is paid a monthly basic fixed salary plus the usual benefits assigned for holders of this position such as housing allowance, transportation allowance and health care.
Obligations:	Based on this contract, Mr. Khimani undertakes to observe the rules, regulations and traditions of the Kingdom of Saudi Arabia. He will also abide by the present and future rules, by-laws and policies of the Company. He further undertakes to observe the confidentiality and not to compete with the Company as long as he is an employee of the Company.
	This contract is still valid.

C. Mr. Syed Raza Haider

Title:	Chief Actuary & Chief Risk Officer
Contract Commencement date:	10/04/2011G
Contract Term:	The duration of the contract is fixed for one Gregorian year renewable automatically unless either party has notified the other party 30 days prior to the expiry of original or extended duration of his wish not to extend the contract. This contract may be terminated by either party for any valid reason subject to a prior written notice to the other party before thirty days. The Company may also terminate the contract without prior notice in case of default by Mr. Haider of any of his obligations or if he has committed any dishonorable act or taken any action which affects the reputation of the Kingdom or the Company.
Salary and Allowances:	Under this contract Mr. Haider is paid a monthly basic fixed salary plus the usual benefits assigned for holders of this position such as housing allowance, transportation allowance and health care.
Obligations:	Based on this contract, Mr. Haider undertakes to observe the rules, regulations and traditions of the Kingdom of Saudi Arabia. He will also abide by the present and future rules, by-laws and policies of the Company. He further undertakes to observe the confidentiality and not to compete with the Company as long as he is an employee of the Company.
	This contract is still valid.

D. Mr. Takayuki Ueda

Title:	Chief Operations Officer (COO)
Contract Commencement date:	23/07/2013
Contract Term:	The duration of the contract is fixed for one Gregorian year renewable automatically unless either party has notified the other party 30 days prior to the expiry of original or extended duration of his wish not to extend the contract. This contract may be terminated by either party for any valid reason subject to a prior written notice to the other party before thirty days. The Company may also terminate the contract without prior notice in case of default by Mr. Ueda of any of his obligations or if he has committed any dishonorable act or taken any action which affects the reputation of the Kingdom or the Company.
Salary and Allowances:	Under this contract Mr. Ueda is paid a monthly basic fixed salary plus the usual benefits assigned for holders of this position such as housing allowance, transportation allowance and health care.
Obligations:	Based on this contract, Mr. Ueda undertakes to observe the rules, regulations and traditions of the Kingdom of Saudi Arabia. He will also abide by the present and future rules, by-laws and policies of the Company. He further undertakes to observe the confidentiality and not to compete with the Company as long as he is an employee of the Company.
	This contract is still valid.

E. Mr. Faisal Ali Almisfer

Title:	Head of Legal Affairs and Compliance department
Contract Commencement date:	17/03/2014G
Contract Term:	The duration of the contract is fixed for one Gregorian year renewable automatically unless either party has notified the other party 30 days prior to the expiry of original or extended duration of his wish not to extend the contract. This contract may be terminated by either party for any valid reason subject to a prior written notice to the other party before thirty days. The Company may also terminate the contract without prior notice in case of default by Mr. Almisfer of any of his obligations or if he has committed any dishonorable act or taken any action which affects the reputation of the Kingdom or the Company.
Salary and Allowances:	Under this contract Mr. Almisfer is paid a monthly basic fixed salary plus the usual benefits assigned for holders of this position such as housing allowance, transportation allowance and health care.
Obligations:	Based on this contract, Mr. Almisfer undertakes to observe the rules, regulations and traditions of the Kingdom of Saudi Arabia. He will also abide by the present and future rules, by-laws and policies of the Company. He further undertakes to observe the confidentiality and not to compete with the Company as long as he is an employee of the Company.
	This contract is still valid.

## 12-8 Insurance Policies:

The Company arranged to issue insurance policies to insure its employees and protect them against risks. Details of these policies are summarized in the schedule below:

**Table (12-4): Insurance policies issued in favor of the Company:**

Policy Type	Insurance Company
Property Insurance	Alinma Tokyo Marine Company
Group Medical Insurance	Alinma Tokyo Marine Company
Group Protection	Alinma Tokyo Marine Company
Electronic and IT equipment Insurance	Alinma Tokyo Marine Company
Third Party Liability Insurance	Alinma Tokyo Marine Company
Cash Insurance	Alinma Tokyo Marine Company
Motor Insurance	Alinma Tokyo Marine Company

Source: Company

*The Company arranges for renewal of these policies upon expiry*

## 12-9 Insurance Products offered by the Company:

The Company provides a set of insurance products. Some of these products were approved by SAMA while some of them are still under consideration by SAMA.

### Insurance Products approved by SAMA:

- All Property Risk Insurance
- Fire Risk Insurance
- Risk and Contractors Equipment Insurance
- Equipment Breakdowns Profit Loss Risk Insurance
- Vehicle Accidents Insurance
- Boilers and Pressure Tools Insurance
- Marine Shipping Insurance
- Public Liability Insurance
- General Commercial Liability Insurance
- Home Contents Risks Insurance
- Construction Work Risks Insurance
- Machinery Insurance
- Health Insurance
- Labor Compensation Insurance
- Fidelity Insurance
- Cash in hand/in transit Insurance
- Individual and Group Casualty Insurance
- Work Interruption Insurance
- Contractors All Risks Insurance
- Fire and Special Risks Insurance

### Insurance Products under review by SAMA:

- Platinum Saving Plan
- Golden saving Plan
- Investment Plan
- Education Plan
- Marriage Plan

## **12-10 Intangible Assets:**

The Company does not have any property Rights, particularly any trademark or logo, registered in its name and protected as per applicable rules. The Company does not have any licensing agreement to use any registered trademark in its name. The Company's competition position depends largely on its ability to use its name and logo on its information and marketing materials or on the systems through which its services are promoted and sold. Therefore the Company's inability to prevent the violation of its Rights in the Kingdom might adversely affect the Company and may render the conducting of its businesses more costly thereby reflecting on the results of its operations. The Company intends to apply in the present year for registration of its logo and commercial name as a trademark with the department of Trademarks at the Ministry of Commerce and Industry.

## **12-11 Disputes, Litigation and Claims:**

There stands one case filed against the Company in which a judgment was passed on 09/02/1436 (01/12/2014) by the Sixth Commercial Circuit of the Administrative Court in Riyadh which provided for rejection of the case due to non-jurisdiction. Under this case, the claimant requests the Company to execute an insurance policy to cover a traffic accident while the Company confirms that such accident was not covered. The Company filed a counter claim with the Committee for Settlement of Insurance Disputes requesting the claimant to refund an amount of SAR 23,710 which the Company had paid to the prejudiced party. The Company feels that the value of this case, even if reconsidered and accepted by the competent authorities, may not affect the financial position of the Company.

Excluding the cases stated herein-above, the Company confirms that it is not a party to any lawsuits, claims, arbitrations or administrative actions which would materially affect the Company's business or result of its operations. It further confirms that it is not subject to any threat of any potential lawsuits, arbitration or administrative action.

### **13. Experts Statement**

The Financial Advisor, Legal Advisor, Due Care Advisor, Actuary and Company Auditor whose names appear in pages vi & vii thereof have given their written consent to the publication of their statements in the form included in this Prospectus and they have not withdrawn such a consent until the date of this Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

## 14. Underwriting

### 14-1 Underwriters Information

The Company has entered into the Underwriting Agreement with two underwriters, Alinma Investment Company and Saudi Kuwaiti Finance House. The Underwriters, under which, undertake to subscribe for 25,000,000 Ordinary Shares at a nominal price of SAR 10 per share, representing all Right Issue shares.

#### Underwriters

Alinma Investment Company  
Al Anood tower, 8th floor  
P.O. Box 66333  
Riyadh 11576  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinmainvestment.com  
Email: info@alinmainvestment.com

الإيماء للاستثمار  
alinma investment 

Saudi Kuwaiti Finance House  
Granada Business Park, A4 Building , 14th Floor  
P.O. Box 50051 Riyadh 11523  
Kingdom of Saudi Arabia  
Tel: +966 11 511 7300  
Fax: +966 11 201 9819  
Website: www.skfh.com.sa  
E-mail: info@skfh.com.sa

بيت التمويل السعودي الكويتي  
Saudi Kuwaiti Finance House



### 14-2 Summary of the Underwriting Agreement

The principal terms of the Underwriting Agreement are set forth below:

- 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 at the Offer Price.
- The Underwriters undertake to the Company that they will, on the allocation date, purchase the number of Offer Shares not subscribed for, at the Offer Price.
- The Underwriters shall receive a certain amount against their underwriting of the Offer shares representing a certain percentage of the Offering Proceeds.

## **15. Offering Expenses**

Total expected value of the Offering is SAR 250,000,000, from which an amount of SAR 4,000,000 will be paid as Offering costs and expenses, which include the fees of Financial Advisor, Legal Advisor of the Offering, Financial Due Diligence Consultant, as well as the expenses arising from underwriter, Receiving Entities, marketing and distribution and other associated Offering expenses. The Company will incur all expenses relating to the Offering process.

## **16. Exemptions**

The Company has not submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

## 17. Subscription Terms and Conditions

All eligible shareholders, holders of acquired Rights and applicants must carefully read the Subscription Terms and Conditions and Instructions prior to completing the Subscription Application Form or the Rump Offering Form since signing and submission of the Subscription Application constitute acceptance and agreement to the mentioned Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Entities is considered a binding agreement between the Company and the Eligible Person. Eligible Persons may obtain the Prospectus and Subscription Application Form from the Receiving Entities mentioned below. Eligible Persons and individuals willing to subscribe to the Rights Issue must submit the Subscription Application during the Offering Period. This Prospectus and Subscription Application Forms may be obtained from the following Receiving Entities:

### Receiving Entities

Alinma Bank  
Riyadh, King Fahd Road  
P.O. Box 66674  
Riyadh 11586  
Saudi Arabia  
Tel: +966 11 218 5555  
Fax: +966 11 218 5000  
Website: www.alinma.com  
Email: info@alinma.com



Samba Financial Group  
King Abdul Aziz Road - Riyadh  
P.O. Box 833, Riyadh 11421  
Saudi Arabia  
Tel: +966 (11) 479 7400  
Fax: +966 (11) 477 9676  
Website: www.samba.com  
E-Mail: customercare@samba.com



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



### 17-1 Subscription to the Rights Issue (New Shares)

In accordance with this Prospectus, 25,000,000 shares will be offered for subscription through the Rights Issue representing 125% of the Company's capital, at an offer price of SAR 10 per share, and a nominal amount of SAR 10 and a total offering value of SAR 250,000,000. The New Shares will be issued as one new share for every (0.8) share of the Company's shares.

The Right for subscription to the New Shares is offered to the Registered Shareholders, as at the close of trading on the date of the EGM (the "Eligibility Date") held on 19/10/1436H (corresponding to 4/8/2015G) and to the Eligible Persons who purchased the Rights during the trading phase, including Registered Shareholders who buy new Rights in addition to the Rights that they were previously entitled to.

If Eligible Persons do not exercise their Rights by the end of the Second Offering Phase, the rump shares resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors during the Rump Offering.

Registered Shareholders may trade their Rights deposited in their accounts through the Saudi Stock Exchange (Tadawul). These Rights are considered acquired by all Registered Shareholders in the Company's shareholders register as at the end of the EGM date (Subscription Eligibility Date). Each Right grants its holder eligibility to subscribe for one (1) new share at the offer price. The Rights shall be deposited within a maximum of two working days after the date of the EGM. Rights will appear in the Registered Shareholders' accounts under a new symbol assigned to the Rights Issue.

The schedule and details of the offering are as follows:

- **Eligibility Date:** The end of trading on the day of the EGM on 19/10/1436H (corresponding to 4/8/2015G).
- **First Offering Phase:** Starts on 26/10/1436H (corresponding to 11/8/2015G) until the end of the day on 5/11/1436H (corresponding to 20/8/2015G) (First Offering Phase). During this phase, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) to the New Shares up to the number of Rights deposited in their accounts after the EGM. 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 Phase. This period synchronizes with the Rights Issue

Trading Phase, during which Registered Shareholders or general investors, including institutional and individual investors may trade the Rights Issue. Subscription to New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Entities by submitting a completed Subscription Application Form or through subscribing electronically with the Receiving Entities that offer such services to subscribers. It should be noted that at the end of the Trading Phase, if a registered shareholder owns a number of Rights lower than the number of Rights that were subscribed to during the same phase, his subscription application will be rejected in whole or in part. He will be informed of this rejection and a refund of the subscription amount will be issued by the registered shareholder's Receiving Entity.

- **Trading Phase:** Starts on 26/10/1436H (corresponding to 11/8/2015G) until the end of the day on 5/11/1436H (corresponding to 20/8/2015G), in keeping with the First Offering Phase. Tadawul would have then prepared mechanisms to organize the trading of Rights in its systems and shall assign a new symbol for the Company's Rights Issue (separate from company's trading symbol on TADAWUL screen). The trading system will cancel the Rights Issue symbol of the Company on TADAWUL screen once the Trading Phase expires. This period includes the following options:
  1. Registered Shareholders during this period are entitled to:
    - Retain the acquired Rights as of the eligibility date and exercise their Rights to subscribe for the New Shares through the Receiving Entities.
    - Sell all their Rights or a part thereof.
    - Purchase additional Rights and trade them. Subscription to additional New Shares is only possible during the Second Offering Phase, by filling a Subscription Application Form or electronically with one of the Receiving Entities that provide such services to subscribers).
    - Refrain from taking any action in relation to the Rights Issue (not to sell the Rights or exercise the Right to subscribe to it). The rump shares resulting from not exercising the Rights or selling the same will be offered during the Rump Offering.
  2. Those who purchased Rights during this period, may trade these Rights either by selling them or buying part or all of these Rights. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe to New Shares only in the Second Offering Phase, by filling a Subscription Form or electronically with one of the Receiving Entities that provide such services to subscribers. If they don't subscribe to the Rights by the end of the Second Offering Phase, then the rump shares resulting from not exercising the Rights or selling the same will be offered during the Rump Offering.
- **Second Offering Phase:** Starts on 8/11/1436H (corresponding to 23/8/2015G) until the end of the day on 10/11/2436H (25/8/2015G) and includes the following steps:
  3. Registered Shareholders who hold shares in the Company as of the eligibility date and who did not subscribe to New Shares in the Company either in whole or in part during the First Offering Phase, may exercise their Right during this phase and in the same way as defined for the First Offering Phase. If they purchase additional Rights during the Trading Phase, they may exercise their Rights and subscribe to the New Shares during the Second Offering Phase, by filling a Subscription Application Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Entities that provide such services to subscribers. If they don't subscribe to these shares by the end of this phase, then these shares will be offered during the Rump Offering period.
  4. Those who purchased Rights during the Trading Phase and held on to them until the end of such period, may exercise their Rights and subscribe to the New Shares in this phase through the same procedures outlined in the First Offering Phase. If they don't subscribe to the New Shares by the end of this phase, then the rump shares resulting from not exercising the Rights or selling the same will be offered during the Rump Offering Period.
- **Rump Offering:** Starts at 10:00 a.m. of the day Sunday 15/11/1436H (corresponding to 30/8/2015G) until 10:00 a.m. of the next day 16/11/1436H (corresponding to 31/8/2015G). During this period, the rump shares together with the fractions shares will be offered to a number of institutional investors ("Institutional Investors"). These institutions would thereafter present offers to purchase the rump shares, and the rump shares will be allocated to Institutional Investors in order of offer value so the highest value comes first until all of the rump shares have been allocated (provided that it shall not be less than the offer price), with the rump shares being proportionally divided among Institutional Investors that tendered offers at the same price. Share fractions will be added to the remaining shares and treated similarly. If the sale price of unsubscribed shares is higher than the offer price, the difference (if any) will be distributed as compensation to Rights holders who have not exercised their Rights to subscribe as to the percentage of Rights possessed by them.
- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights fully and properly exercised by him. As for the persons entitled to fractional shares, these fractions will be combined and offered to Institutional Investors during the Rump Offering Phase. All proceeds resulting from the sale of rump shares and fractional shares up to the paid offer price shall be distributed to the Company and any proceeds in excess of the offer price shall be distributed to the Eligible Persons no later than 25/11/1436H (corresponding to 9/9/2015G).
- **Trading of the New Shares on the Market:** Trading in the New Shares in TADAWUL will commence once all related

formalities pertaining to their registration and allocation have been completed

## 17-2 Eligible Persons who do not subscribe to the New Shares

The Company's share price will be modified by Tadawul at the close of the trading day on the date which the EGM was held on 19/10/1436H (corresponding to 4/8/2015G), based on the offer price and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at the closing time.

Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to loss. Eligible Persons who do not subscribe to New Shares will not get any advantages or benefits against the Rights owing to them except to receive proportional cash compensation from the proceeds of the sale price in excess of the offer price of the rump shares (if any). Registered Shareholders will retain the same number of shares that they owned before the capital increase.

If Institutional Investors wish to buy the rump shares at the offer price only, or if they do not wish to subscribe and the underwriter therefore covers the rump shares at the offer price, then the non-participating Eligible Persons will not receive any compensation as a result of them not exercising their Rights in the New Shares

Compensation amount (if any) will be paid to Eligible Persons who did not subscribe wholly or partially to the New Shares and shareholders entitled to fractional shares by dividing the compensation amount by the total number of shares not subscribed to by Eligible Persons and shareholders entitled to fractional shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe to all or part of the shares they were entitled to, as well as those entitled to fractional shares.

## 17-3 Completion of Subscription Application Form

Eligible Persons wishing to exercise their full Right and subscribe to all 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 Entities branches during the subscription period.

The number of shares that the eligible person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Phase. 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 Phase by SAR 10.

By completing and presenting the Subscription Application Form, the subscriber:

- Agrees to subscribe to the number of New Shares as stated in the Subscription Application Form.
- Warrants that he/she has carefully read the Prospectus and understood all its contents.
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus.
- Does not waive his/her Right from the Company to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there-from, which would directly impact the subscriber's acceptance to subscribe had it been contained in the Prospectus.
- Acknowledges that he has not subscribed to the same shares of this offering at another bank and that the Company has the Right to reject all applications in the vent of recurrence of the subscription 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, and
- Warrants not canceling or amending the Subscription Application Form after submittal to the Receiving Entity.

## 17-4 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable, and the Receiving Entity personnel shall match the copy of each document with the original document and then return the original document to the subscriber or agent.

- Original and copy of the personal 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, custody deed or provision
- Original and copy of the custody deed (for orphans)
- Original and copy of the residence permit (Iqama) for non-Saudis, whenever applicable (for individual subscribers)
- Original and copy of the commercial registration (in case of entities)

The whole subscription amount shall be paid in full upon submitting the Subscription Application to one of the Receiving Entities via authorizing the Receiving Entity to deduct the required amount from the subscriber's account to the Receiving

Entity, or via a certified bank check drawn on one of the local banks and registered in the name of company.

Power of attorney will be restricted to first degree 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 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. The responsible personnel of the Receiving Entity shall match the copies with the originals and return originals to the subscriber or attorney.

## 17-5 Submission of the Subscription Application Form

Receiving Entities shall start receiving Subscription Application Forms in their branches in KSA during the First Offering Phase and the Second Offering Phase. Subscription Application Forms can be submitted by Institutional Investors for any rump shares only during the Rump Offering Period. Subscription Application Forms can be delivered during either of the offering phases either through a branch of the Receiving Entities or the telephone banking services section or ATMs or internet banking of any of the Receiving Entities providing such services. The Subscription Application Form includes further information which is to be strictly followed. Upon completing, signing and submitting the Subscription Application Form, the Receiving Entity shall stamp it and provide the Subscriber with a copy thereof.

If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the Receiving Entity, 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 Entity will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Entity, 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 shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Entities' branches.
- Payment in full by the eligible subscribing person to the Receiving Entities of the total offer price (as specified above).
- Delivery to the eligible person by the Receiving Entities of the allocation letter specifying the number of shares allocated to him/her

It is of significance to mention that Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed to.

## 17-6 Allocation

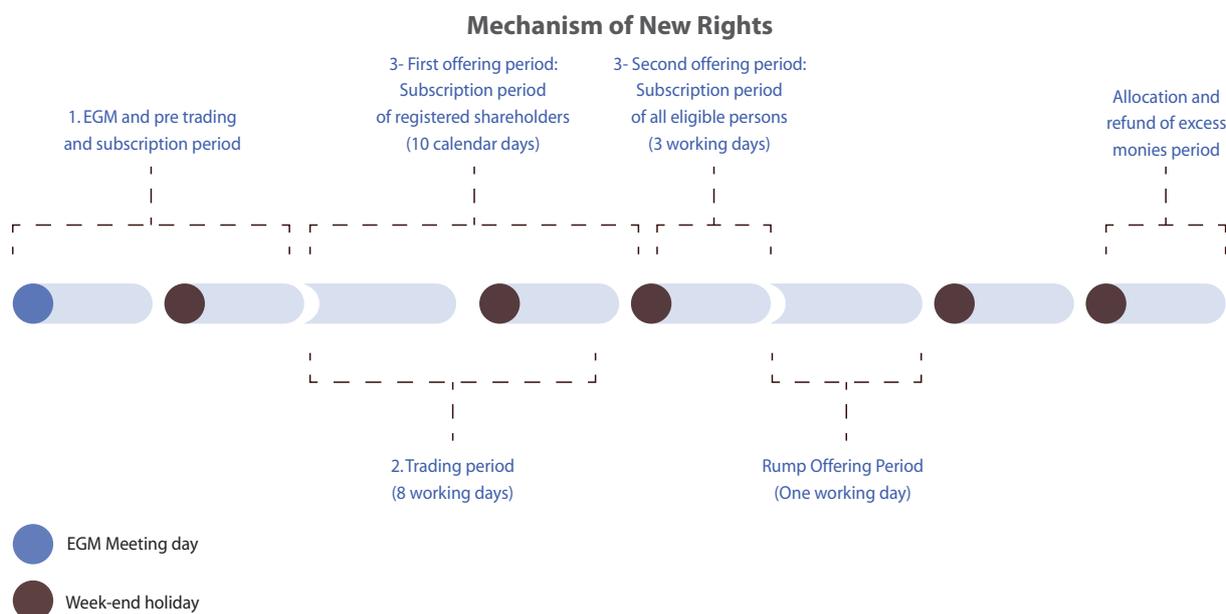
The Company and lead manager shall open an escrow account called "Alinma Tokio Marine - Rights Issue". Every Receiving Entity shall deposit collected subscription proceeds in the said account.

The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly and correctly exercised. As for fractional shares, they shall be accumulated and offered to Institutional Investors during the Rump Offering Phase. Total price of sale of rump shares will be paid to the Company. The remainder proceeds of the rump shares (in excess of offer price) will be distributed to eligible subscribers each in pro rata with his eligibility no later than 25/11/1436H (corresponding to 9/9/2015G).

Final notice for the number of shares allocated to each eligible person without any charges or withholdings by the lead manager or Receiving Entities is expected to take place by depositing the shares into the accounts of subscribers with the Receiving Entities. Eligible Persons shall contact the branch of the Receiving Entity where they have submitted the Subscription Application Form to obtain any further information. The allocation results will be announced no later than 18/11/1436H (corresponding to 2/9/2015G).

## 17-7 Compensation Payment

The compensation to Eligible Persons who did not subscribe to all or part of the Rights Issue, if any, without withholdings, shall be paid no later than 25/11/1436H (corresponding to 9/9/2015G).



## 17-8 FAQs about the New Rights Issue Mechanism

### What is a Rights Issue?

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

### Who is granted the Rights?

The Rights are granted to all shareholders registered 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 Company 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 First Offering Phase.

### 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 owns 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 and its number of shares becomes 1,200, then, the eligibility ratio is 1 to 5 (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 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 SAR 35 (thirty-five Saudi Riyals) and the offer price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five Saudi Riyals).

**Can Registered Shareholders subscribe to additional shares?**

Registered Shareholders can subscribe to additional shares by purchasing new Rights during the trading phase. These Rights can be exercised to subscribe to the new additional shares only during the Second Offering Phase.

**How does the offering take place?**

The offering takes place as it currently does by submitting Subscription Applications at any of the Receiving Entities' branches (mentioned in this Prospectus) and only during the First Offering Phase and/or the Second Offering Phase.

**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 phase. Any excess in the shares subscribed over the number of Rights acquired at the end of Rights trading phase 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 is (1000) Rights as each share 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 after allocation be deposited?**

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 Entities 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 prior to 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 Entity 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 Phase.

**Is it possible to sell part of these Rights?**

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

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

No, that is not possible.

**When the subscriber can subscribe to the Rights he purchased during trading phase?**

During the Second Phase only after completion of the Rights trading phase.

**Can the eligible person sell the Right after expiry of the Trading Phase?**

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

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

The rump shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering organized by the lead manager in line with the standards set forth in this Prospectus.

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

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

## 17-9 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 Capital Market Authority, and will be announced at a later date.

## 17-10 The Saudi Arabian Stock Exchange (“Tadawul”)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G. Trading on the Saudi Stock Exchange (Tadawul) takes place through a fully integrated trading system covering the entire trading process from trade order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m., from Sunday until Thursday of each week. New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 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 Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Transactions are settled automatically during the day, i.e. ownership transfer takes place immediately after the trade is executed.

The Company is required to disclose all reports and important information to investors via Tadawul. 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.

## 17-11 Registration in the Saudi Stock Exchange

An application has been made to the CMA to register and include the New Shares in the Saudi Stock Exchange. 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 completed. 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 or extended at any time subject to approval of the CMA.

Although the existing shares are registered and listed on the Exchange (Tadawul), it will only be possible to trade in the New Shares once the allocation of the New Shares has been approved and these have been deposited in subscribers Tadawul accounts. It is totally forbidden to trade in the New Shares until the allocation has been approved. Subscribers who engage in any forbidden activity shall be acting at their own risk. The Company shall have no legal responsibility in such an event.

Although the existing shares of the Company are listed on TADAWUL, trading of New Shares can be possible only after the allocation of shares to eligible subscribers and proposal providers in the Rump Offering is approved and the New Shares are deposited in their accounts on Tadawul. It is totally prohibited to trade the New Shares before allocation process is completed and approved. Subscribers or proposal providers in the supplementary offering and who deal in forbidden trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

## 17-12 Resolutions and approvals under which shares are offered

The Company has obtained SAMA’s approval under letter No. 361000042979 dated 17/3/1436H (corresponding to 8/1/2015G) to increase its capital by SAR 250,000,000 through the Rights Issue offering of 25,000,000 shares with a nominal value of SAR 10 per share, with the capital becomes SAR 450,000,000 divided into 45,000,000 shares with a nominal value of SAR 10 per share.

The Approval of the Company Shareholders Extraordinary General Assembly.

The Company Shareholders Extraordinary General Assembly, on 19/10/1436H, corresponding to (4/8/2015G) has approved the recommendation of the board to increase the Company capital as previously stated. The increase will be restricted to the Eligible Persons as at the end of the close of trading at the day of the EGM.

The Prospectus has also been approved and all requirements have been fulfilled on the date of announcement in the CMA Website on 19/10/1436H, corresponding to (4/8/2015G).

It is worth mentioning that founders are not allowed to dispose of the shares for three complete years, each of which shall be no less than 12 months (Lock-up Period) as of the dated of company establishment. After expiry of the lock-up period, the founders may dispose of their shares provided that SAMA and CMA approvals have been obtained. Since the Company has obtained its commercial registration on 28/7/1433H, corresponding to 18/6/2012G, the lock up of founders shares has not yet expired and will expire on 31/12/2015G. After expiry of the said period and in the event a founder shareholder

wishes to sell all his shares or part thereof, SAMA and CMA approvals should be obtained. In addition, if strategic partners wish to shall their Rights Issue or purchase new Rights, SAMA approval shall also be obtained.

### **17-13 Miscellaneous Items**

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties of 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 mentioned in this Prospectus without the prior written consent of the other party.
- These terms and conditions and any receipt of the Subscription Application Forms or any related agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic and English languages. In case of conflict between the two 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 the CMA and before approving the listing of shares in the market, becomes aware of
  - 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 and Registration Rules
  - Any additional issues that should have been included in this Prospectus.
  - In these cases, it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing and Registration Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended if the EGM has not approved the details of the offering.

### **17-14 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 EGM was (39.03) and it is adjusted to (22.9) in the opening session the next day. The change represents a decrease of (41.32%).

The method of calculating the share price as a result of capital increase is:

First: Calculation of the market value of the Company at the close of trading on the day of the EGM:

Number of shares at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

Second: Calculation of the share price in the opening session on the day following the day of the EGM:

$$\frac{(\text{The market value of the Company at the close on the day of the EGM} + \text{the value of the offered shares})}{(\text{Number of shares issued by the Company at the end of the day the EGM} + \text{the number of shares offered})} = \text{share price reset for the opening session on the day following the day of the EGM.}$$

## 18. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Riyadh City, King Fahd Road, Alanood Tower 2, floor 21, during official working hours, from 9:00 a.m. to 4:00 p.m., at least 20 days before the Offering Period and throughout the Offering Period:

1. The Company's Commercial Registration.
2. The Company's By-Laws.
3. CMA's approval of the Company's capital increase through Rights Issue Offering.
4. SAMA's approval of the Company's capital increase.
5. Recommendation of the Board of Directors regarding capital increase.
6. Resolution of the EGM approving the Company's Right Issue Offering.
7. The Company's business plan approved by SAMA.
8. Market reports referenced in this Prospectus.
9. Material contracts and agreements referenced in section 12-6 Legal Information, Summary of Material Contracts.
10. The contracts that must be disclosed under paragraph (i), section 13, Appendix 4 of the Listing Rules.
11. A written consent from the Financial Advisor to refer to its name, logo and statements in the Prospects as the Financial Advisor.
12. A written consent from the Financial Due Care Advisor to include its name, logo and statements in the Prospects.
13. A written consent from the Offering Legal Advisor to refer to its name, logo and statements in the Prospects as the Legal Advisor
14. Consents from the auditors to refer to their name, logo and statements and use their reports in this Prospectus as being the Company auditors.
15. The reports referenced in the Prospectus which are made available for inspection according to the Admission and Listing Rules.
16. Audited financial statements for the period starting 9 June 2012 and ending 31 December 2013G, and the fiscal year ending on 31 December 2014G and the Interim financial statements for the period ending on 15 March 2015.

According to CMA regulations and directives, all of the documents will be available in Arabic whenever possible.

**19. Auditors Report**

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**FINANCIAL STATEMENTS**  
**and auditors' report**  
FOR THE YEAR Ended **31 DECEMBER 2014**



KPMG Al Fozan & Al Sadhan



**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)**

**Scope of audit**

We have audited the accompanying statement of financial position of Alinma Tokio Marine Company – a Saudi Joint Stock Company (“the Company”) as at 31 December 2014, and the related statements of insurance operations, shareholders’ operations, shareholders’ comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the year then ended and the notes from 1 to 25 which form an integral part of these financial statements. These financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 at 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters**

We draw attention to the following:

1. These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organisation for Certified Public Accountants.
2. Note 2 to the financial statements sets out the fact that the Board of Directors of the Company recommended to the shareholders of the Company, not to pursue the transfer of insurance portfolios which were disclosed in the prospectus issued for initial public offering by the Company. However, with active support from Tokio Marine Group, the Company has acquired a historical business contributing positively towards the financial performance. The Company is in the process of seeking necessary approvals from the shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete the legal formalities.

**KPMG Al Fozan & Al Sadhan**  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

**Khalil Ibrahim Al Sedais**  
Certified Public Accountant  
Licence No. 371



4 Jumada Al-Awwal 1436H  
23 February 2015

**PricewaterhouseCoopers**  
P. O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia

**Khalid A. Mahdhar**  
Certified Public Accountant  
Licence No. 34



**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS and auditors' report**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	31 December 2014	31 December 2013
		SR'000	SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	19,697	8,924
Premiums and reinsurance receivables, net	6	28,505	16,750
Reinsurers' share of outstanding claims	11	17,584	11,958
Reinsurers' share of unearned premiums	13	15,507	8,826
Deferred policy acquisition costs		1,113	1,218
Due from shareholders' operations		-	9,223
Prepayments and other assets	7	1,344	3,374
Fixed assets	9	5,917	4,449
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>89,667</b>	<b>64,722</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	37,147	51,431
Investments	8	34,210	45,383
Murabaha deposits		-	15,410
Due from a related party	19	55	117
Due from insurance operations		502	-
Prepayments and other assets	7	12	-
Statutory deposit	10	20,000	20,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>91,926</b>	<b>132,341</b>
<b>TOTAL ASSETS</b>		<b>181,593</b>	<b>197,063</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF FINANCIAL POSITION**

As at **31 December 2014**

	Notes	31 December 2014	31 December 2013
		SR'000	SR'000
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	11	36,089	19,138
Reinsurance balances payable		10,433	12,253
Gross unearned premiums	13	24,281	18,066
Unearned reinsurance commission		3,406	1,665
Due to shareholders' operations		502	-
Accrued expenses and other liabilities	14	13,386	11,985
Employees' end of service benefits		1,570	1,615
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>89,667</b>	<b>64,722</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities	14	2,016	2,534
Due to insurance operations		-	9,223
Zakat and income tax payable	18	1,497	1,809
<b>Total shareholders' liabilities</b>		<b>3,513</b>	<b>13,566</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	200,000	200,000
Accumulated losses		(111,587)	(81,225)
<b>Total shareholders' equity</b>		<b>88,413</b>	<b>118,775</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>91,926</b>	<b>132,341</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>181,593</b>	<b>197,063</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS**  
**For the year ended 31 December 2014**

	Notes	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		SR '000	SR '000
<b>REVENUES</b>			
Gross written premiums	12	92,585	51,252
Reinsurance premiums ceded	12	(55,893)	(28,491)
Excess of loss premiums	12	(4,144)	(4,824)
Net written premiums		32,548	17,937
Changes in gross unearned premiums		(6,215)	(18,066)
Changes in reinsurance share of unearned premiums		6,681	8,826
Net change in unearned premiums		466	(9,240)
Net earned premiums	12	33,014	8,697
Reinsurance commission earned and other income		8,156	2,662
Total insurance revenues		41,170	11,359
<b>CLAIMS AND EXPENSES</b>			
Gross claims paid	11	(44,878)	(56,132)
Reinsurers' share of claims paid	11	23,069	50,843
Net claims paid		(21,809)	(5,289)
Changes in gross outstanding claims		(16,951)	(19,138)
Changes in reinsurers' share of outstanding claims		5,626	11,958
Net outstanding claims	11	(11,325)	(7,180)
Net claims incurred		(33,134)	(12,469)
Policy acquisition costs		(2,843)	(691)
Inspection and supervision fees		(340)	(241)
General and administrative expenses	16	(32,429)	(38,738)
Total claims and expenses		(68,746)	(52,139)
Net deficit for the year / period from insurance operations		(27,576)	(40,780)
Appropriation of net deficit transferred to the shareholders' operations	3	27,576	40,780
Net result for the year / period from insurance operations		-	-

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' OPERATIONS**  
**For the year ended 31 December 2014**

	Notes	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		SR '000	SR '000
<b>INCOME</b>			
Investment income and other income		1,145	2,529
<b>EXPENSES</b>			
Net deficit transferred from insurance operations	3	(27,576)	(40,780)
General and administrative expenses	16	(2,951)	(10,104)
Pre-incorporation expenses, net		-	(24,695)
Total expenses		(30,527)	(75,579)
Net loss for the year / period		(29,382)	(73,050)
Loss per share (SR)	22	(1.469)	(3.653)

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**  
**For the year ended 31 December 2014**

	Note	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
		SR '000	SR '000
Net loss for the year / period		(29,382)	(73,050)
Other comprehensive expense			
Items that may not be reclassified to statement of shareholders' operations in subsequent periods :			
Zakat for the year / period	18	(980)	(2,233)
Total comprehensive loss for the year / period		(30,362)	(75,283)

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the year ended 31 December 2014**

	Note	Share capital	Accumulated losses	Total
		SR '000	SR '000	SR '000
<b>2014</b>				
Balance as at 1 January 2014		200,000	(81,225)	118,775
Total comprehensive loss for the year				
Net loss for the year ended 31 December 2014		-	(29,382)	(29,382)
Zakat for the year	18		(980)	(980)
Balance as at 31 December 2014		200,000	(111,587)	88,413
<b>2013</b>				
Balance as at 9 June 2012		200,000	-	200,000
Transaction cost relating to issuance of share capital		-	(5,942)	(5,942)
Total comprehensive loss for the period				
Net loss for the period from 9 June 2012 to 31 December 2013		-	(73,050)	(73,050)
Zakat for the period	18	-	(2,233)	(2,233)
Balance as at 31 December 2013		200,000	(81,225)	118,775

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**For the year ended 31 December 2014**

	Notes	For the year ended	For the period from
		31 December 2014	9 June 2012 to 31 December 2013
		SR '000	SR '000
<b>OPERATING ACTIVITIES</b>			
Net result for the year / period from insurance operations		-	-
Adjustments for:			
Allowance for doubtful receivables	6	1,319	1,172
Loss on disposal of fixed assets		-	2
Depreciation	9	1,782	2,159
Employees' end of service benefits, net		(45)	1,615
Income before changes in operating assets and liabilities		3,056	4,948
Changes in operating assets and liabilities:			
Operating assets:			
Premiums and reinsurance receivables		(13,074)	(17,922)
Reinsurers' share of outstanding claims		(5,626)	(11,958)
Reinsurers' share of unearned premiums		(6,681)	(8,826)
Deferred policy acquisition cost		105	(1,218)
Due to / (from) shareholders' operations		9,725	(9,223)
Prepayments and other assets		2,030	(3,374)
Operating liabilities:			
Gross outstanding claims		16,951	19,138
Reinsurance balances payable		(1,820)	12,253
Gross unearned premiums		6,215	18,066
Unearned reinsurance commission		1,741	1,665
Accrued expenses and other liabilities		1,401	11,985
Net cash generated from operating activities		14,023	15,534
<b>INVESTING ACTIVITIES</b>			
Purchase of fixed assets	9	(3,250)	(6,611)
Proceeds from disposal of fixed assets		-	1
Net cash used in investing activities		(3,250)	(6,610)
Net change in cash and cash equivalents		10,773	8,924
Cash and cash equivalents at the beginning of the year / period		8,924	-
Cash and cash equivalents at the end of the year / period	5	19,697	8,924

The accompanying notes 1 to 25 form an integral part of these financial statement.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF SHAREHOLDERS' CASH FLOWS**  
**For the year ended 31 December 2014**

	Notes	For the year ended	For the period from
		31 December 2014	9 June 2012 to 31 December 2013
		SR '000	SR '000
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		(29,382)	(73,050)
Adjustment for:			
Realized gain on held for trading investments	17	(594)	(847)
Unrealized gain on held for trading investments	17	(136)	(191)
Loss before changes in operating assets and liabilities		(30,112)	(74,088)
Changes in operating assets and liabilities:			
Operating assets:			
Due from a related party		62	(117)
Due (from) / to insurance operations		(9,725)	9,223
Prepayments and other assets		(12)	(26)
Statutory deposit		-	(20,000)
Operating liabilities			
Accrued expenses and other liabilities		(518)	2,534
Zakat paid	18	(1,292)	(424)
Net cash used in operating activities		(41,597)	(82,898)
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(182,097)	(294,410)
Placement of murabaha deposits		-	(30,384)
Proceeds from maturity of murabaha deposits		15,410	15,000
Proceeds from sale of investments		194,000	250,065
Net cash generated from / (used) in investing activities		27,313	(59,729)
<b>FINANCING ACTIVITIES</b>			
Issue of share capital		-	200,000
Transaction costs on issuance of share capital		-	(5,942)
Net cash generated from financing activities		-	194,058
Net change in cash and cash equivalents		(14,284)	51,431
Cash and cash equivalents at the beginning of the year / period		51,431	-
Cash and cash equivalents at the end of the year / period	5	37,147	51,431

The accompanying notes 1 to 25 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended **31 December 2014**

## **1. REPORTING ENTITY AND OPERATIONS**

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 1010342527 dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Stock Exchange ("Tadawul") since 24 June 2012. The Registered Office of the Company is situated at Al-Anoud Tower 2, P.O. Box 643, Riyadh 11421, Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and intermediary activities in the Kingdom of Saudi Arabia in accordance with its Articles of Association and applicable regulations in the Kingdom of Saudi Arabia.

## **2. INSURANCE PORTFOLIOS AND ASSET TRANSFER AGREEMENTS**

After careful consideration, the Board of Directors of the Company recommended to the shareholders' of the Company, not to pursue the transfer of the insurance portfolios of the Arab Eastern Insurance Company ("AEIC") and Tokio Marine & Nichido Fire Insurance Co. Limited ("TMNF"). These transfers were initially planned and disclosed in the prospectus issued for initial public offering of the Company. However, with active support from Tokio Marine Group the Company has acquired historical business contributing positively towards financial performance. In line with the recommendation of the Board of Directors, the Company is in the process of seeking necessary approvals from shareholders, Saudi Arabian Monetary Agency ("SAMA") and other regulatory authorities in the Kingdom of Saudi Arabia to complete legal formalities.

## **3. BASIS OF PREPARATION**

These financial statements are prepared for the year ended 31 December 2014. The comparative financial information presented in these financial statements relates to the period from 9 June 2012 to 31 December 2013, and accordingly are not comparable.

### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board, the provisions of Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws.

### **Basis of measurement**

These financial statements have been prepared under the historical cost convention except for investments classified as 'available for sale' and 'held for trading' carried at fair value.

**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended **31 December 2014**

### **3. BASIS OF PREPARATION (continued)**

#### **Basis of presentation**

As required by the Saudi Arabian Insurance Regulations issued by SAMA, the Company maintains separate books of accounts for the insurance operations' and shareholders' operations and presents the financial statements accordingly. The physical custody 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 books of accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company must 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, provided the customer contract (policy) is active and paid-up to date at the time of settlement of the cooperative distribution amount. Losses incurred by insurance operations are absorbed by shareholders' operations.

#### **Functional and presentation currency**

The financial statements are expressed in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise stated.

#### **Critical accounting estimates and judgments**

##### **Estimation uncertainty**

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **Technical reserve for insurance activities**

The estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts require judgment by management. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

##### **Incurred but not reported claims**

The Company estimates claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provision for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provision at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended **31 December 2014**

### **3. BASIS OF PREPARATION (continued)**

#### **Incurred but not reported claims (continued)**

The provision for outstanding claims, as at 31 December, is also verified and certified by the Company's appointed external actuary. The actuary calculates the claims reserves using the methodology that involves blending of the following two reserving methods.

- The basic chain ladder method
- Ultimate loss ratio method

The claims reserves are calculated from the higher of the above two methods. The claims reserves are sensitive to the assumptions made about the number of months used to average the completion factors for the chain ladder method and the ultimate loss ratio assumption.

#### **Premium deficiency reserve**

Estimation of premium deficiency for insurance business is highly sensitive to a number of assumptions linked to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the segment-wise actual claims experience of the Company.

#### **Useful life of fixed assets**

The Company's management determines the estimated useful lives of its furniture, fittings, and office equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

#### **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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended **31 December 2014**

### **3. BASIS OF PREPARATION (continued)**

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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

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

#### **New standards and amendments to existing standards**

The following amendments and revisions, as issued by the International Accounting Standards Board (IASB) did not have any impact on the accounting policies, financial position or performance of the Company.

- IAS 32 amendment applicable from 1 January 2014 clarifies that:
  - a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
  - b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle; and
- IAS 36 amendment applicable retrospectively from 1 January 2014, addresses the disclosure of information about the recoverable amount of impaired assets. Under the amendments, recoverable amounts of every cash generating unit to which goodwill or indefinite – lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed;

#### **Standard issued but not yet effective**

IFRS 9 Financial Instruments is applicable from January 1, 2018 which provides guidance on the classification and measurement of financial assets and financial liabilities, requirements for derecognition of financial instruments etc. The Company's management is currently assessing the implications of IFRS 9 and the timing of its adoption.

The Company has not early adopted any other standard, interpretation or amendment that has been issued for early adoption but is not yet effective.

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are set out below:

#### **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. It comprise of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Murabaha deposits**

Murabaha deposits with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using effective yield method, less any impairment in value.

**Impairment and un-collectability of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including reinsurance receivables) may be impaired. If such evidence exists, an impairment loss is recognized in the statement of insurance operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value i.e. for investments classified as 'available for sale,' impairment is the difference between cost and fair value, less any impairment loss recognized in the statement of insurance operations' or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.
- 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 becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
  - The disappearance of an active market for that financial asset because of financial difficulties; or
  - Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
    - adverse changes in the payment status of issuers or debtors in the Company; or
    - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Premiums receivable**

Premiums receivable are recognized as a financial asset when the policies are issued and the consideration is receivable. The carrying amount of asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of insurance operations. 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.

**Reinsurance**

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets (other than those on outstanding claims) represent balances due from reinsurance companies for claims paid by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis.

**Segment reporting**

A segment is a distinguishable component of the Company's portfolio 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.

**Leases**

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SR at the rate of exchange prevailing at the date of statement of financial position. All differences are taken to the statements of insurance operations and accumulated losses and shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Provisions are not recognized for future operating losses.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

**Held for trading investments**

Held for trading investments represent investments in short term Murabaha funds which are readily marketable and initially recognised at cost being the fair value and subsequently remeasured at fair value. Fair value is determined by reference to the net asset value (NAV) quoted by the fund manager. The resultant realised and unrealised gains and losses are recognised in the statement of shareholders' operations.

**Available-for-sale investments (AFS)**

Investments which are classified as available-for-sale are measured at fair value. Available-for-sale investments are those investments that are either designated in this category or not classified in any other category. For an available-for-sale investments, any gain or loss arising from a change in its fair value is recognized directly in other comprehensive income until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to and recognised in the statement of shareholders' operations for the year.

**Fixed assets**

Fixed assets are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets. The estimated useful lives of assets for calculation of depreciation are as follows:

	Years
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

Residual values, useful lives and the method of calculating depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of insurance operations.

Any gain or loss on disposal of a fixed asset, (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of insurance operations.

Expenditures for repair and maintenance is charged to the statement of insurance operations. Improvements that increase the value or materially extend the life of the related assets are capitalised.

**Employees' end of service benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the year is transferred to the statement of insurance operations.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pre-incorporation expenses**

Expenses incurred by the Company during the formation period, the licensing process and related to the Initial Public Offering (IPO) with no future benefits are charged to the statement of shareholders' operations.

**Transaction costs**

Transaction costs to raise share capital are incremental costs that are directly attributable to the issuance of share capital and are accounted for as a deduction from equity.

**Insurance contracts**

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence of an insurance 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 is significantly reduced subsequently.

**Liability adequacy test**

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If such an assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision is made.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

**Zakat and income tax**

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakat base of Saudi founding and general public shareholders' while income tax is computed on the non-Saudi founding shareholders share of net adjusted income.

Zakat and income taxes are accrued and charged to other comprehensive income.

**Revenue recognition**

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis.

Unearned premiums and commissions are those proportions of premiums and commissions written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the year and are recognized in statement of insurance operations from the policy inception date.

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of available for sale investments are reported in the related statements of insurance operations or statement of shareholders' comprehensive income. Dividends, commission income and foreign currency gain / loss on AFS investments are recognized at the related statements of insurance operations or statement of shareholders' comprehensive income, as part of the net investment income / loss.

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

**Claims**

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

A provision based on management's judgment is maintained for Incurred But Not Reported ("IBNR") claims at the statement of financial position date.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**Trade date accounting**

All regular way purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). 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.

**Deferred acquisition costs**

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Unearned reinsurance commission**

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

**5. CASH AND CASH EQUIVALENTS**

	31 December 2014	31 December 2013
	SR '000	SR '000
Insurance operations		
Cash in hand	40	42
Cash at banks - current accounts	19,657	8,882
	19,697	8,924
Shareholders' operations		
Cash at bank - current account	37,147	1,431
Short-term Murabaha deposits	-	50,000
	37,147	51,431

Cash at banks include an amount of SR 56.79 million (2013: SR 10.30 million) held with Alinma Bank, a related party (shareholder).

**6. PREMIUMS AND REINSURANCE RECEIVABLES, NET**

	31 December 2014	31 December 2013
	SR '000	SR '000
Insurance operations		
Premiums receivable – other customers	18,232	11,598
Premiums receivable – related party (note 19)	1,538	1,837
Reinsurance receivables	11,226	4,487
	30,996	17,922
Less: Provision for doubtful receivables	(2,491)	(1,172)
	28,505	16,750

These balances comprise amounts receivable from a number of individual and corporate customers as well as insurance companies and reinsurance companies mainly operating in the Kingdom of Saudi Arabia. Arrangements with reinsurers normally require settlement within a certain mutually agreed period.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables.

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**6. PREMIUMS AND REINSURANCE RECEIVABLES' NET (Continued)**

Movement in the allowance for impairment of receivables is as follows:

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Balance at the beginning of the year / period	1,172	-
Provided during the year / period (Note 16)	1,319	1,172
Balance at the end of the year / period	2,491	1,172

The age analysis of premiums and reinsurance receivables arising from insurance contracts is as follows:

	Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
		Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months		
		SR'000	SR'000	SR'000	SR'000		
2014	7,191	12,523	879	3,034	2,062	5,307	30,996
2013	4,012	5,492	3,163	1,026	-	4,229	17,922

**7. PREPAYMENTS AND OTHER ASSETS**

	31 December 2014	31 December 2013
	SR'000	SR'000
Insurance operations		
Prepayments	1,096	2,775
Other receivables	248	599
	1,344	3,374
Shareholders' operations		
Accrued income	12	-

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**8. INVESTMENTS**

**Shareholders' operations**

This represents investment in Najm for Insurance Services Company (classified as available-for-sale) and in open-ended commodity funds and equity shares (classified as held for trading investments):

	31 December 2014	31 December 2013
	SR'000	SR'000
Available-for-sale investment	1,923	1,923
Held for trading investments	32,287	43,460
	34,210	45,383
The movement during the year / period is as follows:	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Available-for-sale investment		
Balance at the beginning of the year / period	1,923	-
Purchased during the period	-	2,423
Sold during the year	-	(500)
Balance at the end of the year / period	1,923	1,923
Held for trading investments		
Balance at the beginning of the year / period	43,460	-
Purchased during the year / period	182,097	291,987
Sold during the year / period	(194,000)	(249,565)
Realised gain during the year / period, net	594	847
Unrealised gain during the year / period	136	191
Balance at the end of the year / period	32,287	43,460

All investments made by the Company are with unrated counterparties.

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**9. FIXED ASSETS**

**Insurance operations**

	31 December 2014				31 December 2013
	Leasehold improvements	Furniture, fittings and office equipment	Computer equipment	Total	Total
	SR'000	SR'000	SR'000	SR'000	
Cost					
Balance at the beginning of the year	514	424	5,670	6,608	-
Purchased during the year	1,333	110	1,807	3,250	6,611
Disposals during the year	-	-	-	-	(3)
Balance at the end of the year	1,847	534	7,477	9,858	6,608
Accumulated depreciation					
Balance at the beginning of the year	102	109	1,948	2,159	-
Charge for the year	106	102	1,574	1,782	2,160
Disposals	-	-	-	-	(1)
Balance at the end of the year	208	211	3,522	3,941	2,159
Net book value					
31 December 2014	1,639	323	3,955	5,917	-
31 December 2013	412	315	3,722	4,449	4,449

**10. STATUTORY DEPOSIT**

	31 December 2014	31 December 2013
	SR'000	SR'000
Shareholders' operations		
Statutory deposit	20,000	20,000

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 10% of its paid up share capital in a bank account designated by SAMA.

This is a restricted deposit and cannot be utilized in the operations of the Company.

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**11. OUTSTANDING CLAIMS**

**a. Incurred claims**

Insurance operations	For the year ended 31 December 2014			
	Motor	General	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000
Claims paid	17,587	12,126	15,165	44,878
Reinsurers' share of claims paid	-	(10,754)	(12,315)	(23,069)
Net claims paid	17,587	1,372	2,850	21,809
Changes in outstanding claims, IBNR and other reserves	7,351	5,780	3,820	16,951
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	-	(2,453)	(3,173)	(5,626)
Changes in net outstanding claims, IBNR and other reserves	7,351	3,327	647	11,325
Total incurred claims	24,938	4,699	3,497	33,134

General segment includes Marine, Fire, Engineering and general accident.

Insurance operations	For the period from 9 June 2012 to 31 December 2013			
	Motor	General	Protection and savings	Total
	SR'000	SR'000	SR'000	SR'000
Claims paid	1,315	51,285	3,532	56,132
Reinsurers' share of claims paid	-	(48,017)	(2,826)	(50,843)
Net claims paid	1,315	3,268	706	5,289
Changes in outstanding claims, IBNR and other reserves	3,004	13,726	2,408	19,138
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	-	(10,032)	(1,926)	(11,958)
Changes in net outstanding claims, IBNR and other reserves	3,004	3,694	482	7,180
Total incurred claims	4,319	6,962	1,188	12,469

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**11. OUTSTANDING CLAIMS (continued)**

**b. Outstanding claims**

Insurance operations	31 December 2014		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Motor			
Outstanding claims reserve	3,209	-	3,209
Incurred but not reported reserve	4,728	-	4,728
Other reserves	2,418	-	2,418
General			
Outstanding claims reserve	10,843	(6,464)	4,379
Incurred but not reported reserves	7,713	(6,021)	1,692
Other reserves	950	-	950
Protection and savings			
Outstanding claims reserve	1,678	(1,342)	336
Incurred but not reported reserve	4,506	(3,757)	749
Other reserves	44	-	44
Total outstanding claims	36,089	(17,584)	18,505

During the current year, the Company created a provision in respect of premium deficiency, amounting to SR 2.909 million (2013: SR 2.15 million), for Motor, Marine and General accident lines of businesses. The Company created this provision based on the assumption that the unearned premiums for these business lines will not be sufficient to cover the expected claims and other attributable expenses related to the unexpired years of the policies in force at the statement of financial position date.

Insurance operations	31 December 2013		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Motor			
Outstanding claims reserve	883	-	883
Incurred but not reported reserve	549	-	549
Other reserves	1,572	-	1,572
General			
Outstanding claims reserve	8,556	(8,175)	381
Incurred but not reported reserves	2,357	(1,857)	500
Other reserves	2,813	-	2,813
Protection and savings			
Outstanding claims reserve	153	(123)	30
Incurred but not reported reserve	2,255	(1,803)	452
Total outstanding claims	19,138	(11,958)	7,180

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**12. NET EARNED PREMIUMS**

Insurance operations	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 Dec 2013
	SR'000	SR'000
Gross written premiums	92,585	51,252
Gross unearned premiums at the beginning of the year / period	18,066	-
Gross unearned premiums at the end of the year / period	(24,281)	(18,066)
Gross earned premiums	86,370	33,186
Reinsurance premiums ceded	(55,893)	(28,491)
Excess of loss premiums	(4,144)	(4,824)
	(60,037)	(33,315)
Reinsurers' share of unearned premiums at the beginning of the year / period	(8,826)	-
Reinsurers' share of unearned premiums at the end of the year / period	15,507	8,826
Insurance premiums ceded to reinsurers	(53,356)	(24,489)
Net earned premiums	33,014	8,697

**13. MOVEMENT IN UNEARNED PREMIUM RESERVE**

Insurance operations	31 December 2014		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Balance at the beginning of the year	18,066	(8,826)	9,240
Premium written during the year	92,585	(60,037)	32,548
Premium earned during the year	(86,370)	53,356	(33,014)
Balance at the end of the year	24,281	(15,507)	8,774

Insurance operations	31 December 2013		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Balance at the beginning of the year	-	-	-
Premium written during the period	51,252	(33,315)	17,937
Premium earned during the period	(33,186)	24,489	(8,697)
Balance at the end of the year	18,066	(8,826)	9,240

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**14. ACCRUED EXPENSES AND OTHER LIABILITIES**

Insurance operations	31 December 2014	31 December 2013
	SR'000	SR'000
Accrued expenses	4,342	6,418
Coinsurance commission	4,641	2,871
Brokers commission	2,194	1,549
Payable to local and regulatory authorities	770	814
Payable to policyholders	944	278
Other payables	495	55
	13,386	11,985
Shareholders' operations		
Accrued expenses	2,016	2,534

**15. SHARE CAPITAL**

15.1 The authorised, issued and paid-up share capital of the Company is SR 200 million as at 31 December 2014 (2013: SR 200 million) consisting of 20 million shares (2013: 20 million shares) of SR 10 each.

15.2 During the year ended 31 December 2014, the Board of directors recommended an increase in the Company's share capital through offering a rights issue with a total value of SR 250 million. The Company has obtained SAMA's approval on 8 January 2015. However, the right issue is subject to the approval of shareholders and other regulatory authorities.

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the year ended	For the period from
	31 December	9 June 2013 to 31
	2014	December
	SR'000	SR'000
Insurance operations		
Employees costs	23,104	30,345
Depreciation (note 9)	1,782	2,159
Maintenance	1,776	1,618
Allowance for doubtful receivables (note 6)	1,319	1,172
Rental	1,332	748
Legal and professional fees	628	217
Others	2,488	2,479
	32,429	38,738
Shareholders' operations		
Employee costs	-	5,024
Legal and professional fees	1,478	1,769
Directors' remuneration (note 19)	1,001	1,615
Maintenance	-	390
Board and sub-committee attendance fee (note 19)	462	399
Rental	-	251
Others	10	656
	2,951	10,104

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**17. INVESTMENT INCOME, NET**

Shareholders' operations	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Held for trading investments:		
- Realized gain during the year, net	594	847
- Unrealized gain during the year	136	191
Total investment income	730	1,038

**18. ZAKAT AND INCOME TAX**

**Zakat**

The Company's zakat liability for the year is calculated in accordance with the provisions of Zakat regulations applicable in the Kingdom of Saudi Arabia.

As the zakat base for the year is higher than the adjusted net income / (loss), the zakat for the year is calculated at the rate of 2.5% of the zakat base for the year.

The difference between the accounting income and the adjusted net income / (loss) is mainly due to provisions which are not allowed in the calculation of adjustable net income.

The movement in the Zakat provision for the year / period is as follows:

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Balance at the beginning of the year / period	1,809	-
Zakat charge for the year / period	980	2,233
Zakat payment made during the year / period	(1,292)	(424)
Balance at the end of the year / period	1,497	1,809

The Company has filed its first Zakat return with the Department of Zakat and Income Tax ("DZIT") for the period from 9 June 2012 to 31 December 2013 and has obtained a limited certificate, however a final assessment has not been made by the DZIT.

**Income tax**

The Company has incurred a taxable loss during the year, therefore, no income tax is charged to the statement of shareholders' comprehensive income.

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**19. TRANSACTIONS WITH RELATED PARTIES**

In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.

19.1 In addition to the notes 5 and 6, following are the details of major related party transactions during the year and the related balances at the end of the year / period:

Nature of Transaction	Related party	Transactions		Balances	
		For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013	31 December 2014	31 December 2013
		SR'000	SR'000	SR'000	SR'000
IPO related cost	Shareholder	-	5,942	-	-
Pre-incorporation costs	Shareholders	-	23,566	-	-
	Associate	-	400	-	-
Insurance premiums	Shareholder	20,745	13,570	1,538	1,837
Reinsurance premiums	Shareholder	2,731	6,906	1,970	4,622
Claims paid	Shareholder	15,882	3,599	-	-
Purchase of fixed assets	Shareholders	-	3,372	-	-
	Associate	-	6	-	-
Reinsurance Commission	Shareholder	311	727	-	-
General and administrative expenses	Shareholders	248	8,794	-	-
	Associate	-	5,350	55	117
Murabaha Deposits	Shareholder	280,000	50,000	-	50,000

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**19. TRANSACTIONS WITH RELATED PARTIES (continued)**

**19.2 Information relating to key management personnel**

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Short-term benefits	4,684	9,909
Long-term benefits	187	428

Short-term benefits include salaries and allowances whilst long-term benefits include employees' end of service benefits.

**19.3 Board and sub-committee related expenses:**

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
	SR'000	SR'000
Board of director's remuneration	1,001	1,615
Board and sub-committees attendance fee	462	399

Board and sub-committees attendance fees represent allowances for attending board and sub-committee meetings.

**20. RISK MANAGEMENT**

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its commitment associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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**20. RISK MANAGEMENT (continued)**

Maturity profile	31 December 2014		
INSURANCE OPERATIONS' LIABILITIES	Less than one year	No term	Total
	SR «000	SR «000	SR «000
Gross outstanding claims	36,089	-	36,089
Reinsurance balances payable	10,433	-	10,433
Accrued expenses and other liabilities	13,386	-	13,386
	59,908	-	59,908
SHAREHOLDERS' LIABILITIES	Less than one year	No term	Total
	SR «000	SR «000	SR «000
Accrued expenses and other liabilities	2,016	-	2,016

Maturity profile	31 December 2013		
INSURANCE OPERATIONS' LIABILITIES	Less than one year	No term	Total
	SR «000	SR «000	SR «000
Gross outstanding claims	19,138	-	19,138
Reinsurance balances payable	12,253	-	12,253
Accrued expenses and other liabilities	11,985	-	11,985
	43,376	-	43,376
SHAREHOLDERS' LIABILITIES	Less than one year	No term	Total
	SR «000	SR «000	SR «000
Accrued expenses and other liabilities	2,534	-	2,534

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to meet liquidity requirements.

**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 credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

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**20. RISK MANAGEMENT (continued)**

**Credit risk (continued)**

The Company seeks to limit its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case to case basis. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with Standard and Poor's) and AA- (with AM Best).

The table below shows the maximum exposure to credit risk for the components of the financial position:

	31 December 2014	31 December 2013
	SR'000	SR'000
INSURANCE OPERATIONS' ASSETS		
Cash and bank balances	19,657	8,882
Premiums and reinsurance receivables, net	28,505	16,750
Reinsurers' share of outstanding claims	17,584	11,958
	65,746	37,590

	31 December 2014	31 December 2013
	SR'000	SR'000
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	37,147	51,431
Murabaha deposits	-	15,410
Statutory deposit	20,000	20,000
	57,147	86,841

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified due to its early stage of operations however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**Market risk and asset liability management**

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

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**20. RISK MANAGEMENT (continued)**

**Market risk and asset liability management (continued)**

The Board of Directors of the Company ensures that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of the Investment Committee. The Committee prepares forecast showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through proper selection of securities. The Company maintains a diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and bond market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: commission rate risk, currency risk, and market price risk.

**Commission rate risk**

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the commission rates.

The Company places deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

The commission and non-commission bearing investments of the Company and their maturities as at 31 December are as follows:

	Less than 1 year	1 to 3 years	Over 3 years	Non-commission bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Shareholders' operations					
2014	-	-	-	32,188	32,188
2013	15,410	-	-	43,460	58,870

There is no significant difference between contractual re-pricing and maturity dates.

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyal.

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**20. RISK MANAGEMENT (continued)**

**Market Price Risk**

Market price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's investments amounting to SAR 32.28 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits this nature of market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

Had all investments, other than commission bearing, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change of a 10% in the Net Asset Value of the funds, with all other variables held constant, would impact the shareholders' operations by SR 3.29 million.

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2014. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

**Sensitivity analysis**

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. It is not possible to quantify sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 10 percent is analyzed separately for each class of business while keeping all other assumptions constant.

2014	Net loss	Shareholders' equity
	SR'000	SR'000
Impact of change in claim liabilities by + / - 10%		
Motor	1,036	1,036
General	702	702
Protection and savings	113	113

2013	Net loss	Shareholders' equity
	SR'000	SR'000
Impact of change in claim liabilities by + / - 10%		
Motor	300	300
General	369	369
Group credit	48	48

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**20. RISK MANAGEMENT (continued)**

**Sensitivity analysis (continued)**

A key feature of the liability adequacy testing is that the effects of changes in assumptions on the measurement of liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of liabilities and related assets until the liabilities are derecognised, while significant deterioration in estimates is immediately recognised to make the liabilities adequate.

**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 that 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 being greater than original estimates 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 quota share 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.

**Re-insurance 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.

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**20. RISK MANAGEMENT (continued)**

**Re-insurance risk (continued)**

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Reinsurance Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business.

**Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The

Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

**Concentration of insurance risk**

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in Motor and Group credit.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates majorly in Saudi Arabia only, hence, all the insurance risks relate to policies written in Saudi Arabia.

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**20. RISK MANAGEMENT (continued)**

**Sources of uncertainty in estimation of future claim payments**

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions.

**Sources of uncertainty in estimation of future claim payments (continued)**

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims and technical reserves are given under note 11.

**Process used to decide on assumptions**

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

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## **20. RISK MANAGEMENT (continued)**

### **Operational risk**

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

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

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

requirements for appropriate segregation of duties between various functions, roles and responsibilities;

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

### **Regulatory framework risk**

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

### **Capital management risk**

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

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**20. RISK MANAGEMENT (continued)**

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. The Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with the regulatory requirements and no change has been made to the capital base or to the objectives, policies and processes for managing capital.

**21. 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. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposit, reinsurance share of outstanding claims, investments and accrued income and its financial liabilities consist of reinsurance balance payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

The third level of investment is recorded at cost as its fair value cannot be measured reliably.

The table below presents the financial instruments at their fair values based on their fair value hierarchy.

As at 31 December 2014	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Held for trading investment				
- Investment in equity shares	99	-	-	99
- Investment in commodity fund.	-	32,188	-	32,188
Available for sale investment	-	-	1,923	1,923
- Investment in equity shares				
Total	99	32,188	1,923	34,210

As at 31 December 2013	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Held for trading investment				
- Investment in commodity fund	-	43,460	-	43,460
Available for sale investment				
- Investment in equity	-	-	1,923	1,923
Total	-	43,460	1,923	45,383

There were no transfers between the levels of fair value hierarchies during the year / period.

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**22. LOSS PER SHARE**

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

	For the year ended 31 December 2014	For the period from 9 June 2012 to 31 December 2013
Net loss for the year (SR'000)	(29,382)	73,050
Weighted average number of ordinary share (Number in thousands)	20,000	20,000
Loss per share for the year / period	SR (1.469)	SR (3.653)

**23. CONTINGENT LIABILITIES AND COMMITMENTS**

As at 31 December 2014 and 31 December 2013, the Company had no contingent liabilities and commitments.

**24. SEGMENT REPORTING**

Segment information is presented in respect of the Company's business segments which are fire, marine, general accident, engineering, motor and protection and saving based on the Company's management and internal reporting structure.

Operating segments do not include shareholders' operations of the Company.

Segment assets do not include cash and bank balances, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and fixed assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' end of service benefits.

Segment results do not include general and administrative expenses.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipment) are monitored on a centralized basis.

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 Executive Officer as follows:

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**24. SEGMENT REPORTING (continued)**

The segment results for the year ended 31 December 2014 are as follows:

	For the year ended 31 December 2014						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>REVENUES</b>							
Gross written premiums	23,134	18,096	8,802	2,254	22,909	17,390	92,585
Reinsurance premiums ceded	(22,386)	(16,123)	(5,755)	(1,991)	(314)	(9,324)	(55,893)
Excess of loss premiums	(2,221)	(333)	(312)	(53)	(1,225)	-	(4,144)
Net written premiums	(1,473)	1,640	2,735	210	21,370	8,066	32,548
Net change in unearned premiums	1,055	(106)	(779)	(76)	372	-	466
Net earned premiums	(418)	1,534	1,956	134	21,742	8,066	33,014
Reinsurance commission earned and other income	3,717	2,470	1,196	259	33	481	8,156
Total insurance revenues	3,299	4,004	3,152	393	21,775	8,547	41,170
<b>CLAIMS AND EXPENSES</b>							
Net claims incurred	(251)	(132)	(4,223)	(93)	(24,938)	(3,497)	(33,134)
Policy acquisition costs	(582)	(177)	(152)	(71)	(1,861)	-	(2,843)
Inspection and supervision fees	(43)	(60)	(30)	(7)	(113)	(87)	(340)
General and administrative expenses							(32,429)
Total Claims and expenses							(68,746)
Net deficit from insurance operations							(27,576)

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	For the period from 9 June 2012 to 31 December 2013						
	Fire	Marine	General accident	Engineering	Motor	Protection and savings	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>REVENUES</b>							
Gross written premiums	15,941	8,636	3,471	1,573	10,764	10,867	51,252
Reinsurance premiums ceded	(10,819)	(7,714)	(2,919)	(1,469)	-	(5,570)	(28,491)
Excess of loss premiums	(3,893)	(331)	(254)	(36)	(310)	-	(4,824)
Net written premiums	1,229	591	298	68	10,454	5,297	17,937
Net change in unearned premiums	(1,384)	(308)	(208)	(75)	(7,265)	-	(9,240)
Net earned premiums	(155)	283	90	(7)	3,189	5,297	8,697
Reinsurance commission earned and other income	1,526	557	538	32	5	4	2,662
<b>Total insurance revenue</b>	<b>1,371</b>	<b>840</b>	<b>628</b>	<b>25</b>	<b>3,194</b>	<b>5,301</b>	<b>11,359</b>
<b>CLAIMS AND EXPENSES</b>							
Net claims incurred	(1,770)	(4,426)	(748)	(18)	(4,319)	(1,188)	(12,469)
Policy acquisition costs	(157)	(45)	(33)	(10)	(446)	-	(691)
Inspection and supervision fees	(72)	(42)	(14)	(6)	(54)	(53)	(241)
General and administrative expenses							(38,738)
<b>Total Claims and expenses</b>							<b>(52,139)</b>
<b>Net deficit from insurance operations</b>							<b>(40,780)</b>

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**24. SEGMENT REPORTING (continued)**

The segment information relating to the statement of financial position as at 31 December 2014 and 2013 is as follows:

	As at 31 December 2014						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>							
Reinsurers' share of outstanding claims	6,198	3,756	1,705	826	-	5,099	17,584
Reinsurers' share of unearned premiums	6,283	4,536	2,138	2,308	242	-	15,507
Deferred policy acquisition costs	292	82	127	221	391	-	1,113
Unallocated assets							55,463
<b>Total assets</b>							<b>89,667</b>
<b>LIABILITIES</b>							
Gross outstanding claims	7,815	4,265	6,488	938	10,355	6,228	36,089
Gross unearned premiums	6,610	4,951	3,125	2,459	7,136	-	24,281
Unearned reinsurance commission	1,274	1,001	578	510	43	-	3,406
Unallocated liabilities							25,891
<b>Total liabilities</b>							<b>89,667</b>

	As at 31 December 2013						
	Fire	Marine	General accident	Engineering	Motor	Protection and saving	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>ASSETS</b>							
Reinsurers' share of outstanding claims	6,288	1,750	1,954	40	-	1,926	11,958
Reinsurers' share of unearned premiums	3,905	2,690	891	1,340	-	-	8,826
Deferred policy acquisition costs	282	45	6	98	787	-	1,218
Unallocated assets							42,720
<b>Total assets</b>							<b>64,722</b>
<b>LIABILITIES</b>							
Gross outstanding claims	8,039	2,852	2,776	59	3,004	2,408	19,138
Gross unearned premiums	5,288	2,998	1,099	1,416	7,265	-	18,066
Unearned insurance commission	948	275	199	243	-	-	1,665
Unallocated liabilities							25,853
<b>Total liabilities</b>							<b>64,722</b>

**25. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors of the Company on 3 Jumada Al Awwal 1436H corresponding to 22 February 2015.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**FINANCIAL STATEMENTS**  
and INDEPENDENT auditors' report  
**FOR THE PERIOD**  
FROM **9 JUNE 2012** (DATE OF MINISTERIAL RESOLUTION)  
**TO 31 DECEMBER 2013**



**Al Fozan & Al Sadhan**  
P. O. Box 92876  
Riyadh 1163  
Kingdom of Saudi Arabia



**Deloitte & Touche**  
Bakr Abulkhair & Co.  
P.O. Box 213, Riyadh 11411  
Kingdom of Saudi Arabia

**AUDITORS' REPORT TO THE SHAREHOLDERS  
ALINMA TOKIO MARINE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Scope of audit**

We have audited the accompanying statement of financial position of Alinma Tokio Marine Company – a Saudi Joint Stock Company ('the Company') as at 31 December 2013, and the related statements of insurance operations, shareholders' operations, shareholders' comprehensive income, insurance operations' cash flows, shareholders' cash flows and changes in shareholders' equity for the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013 and the attached notes 1 through 26 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provision of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 at 31 December 2013, and the results of its operations and its cash flows for the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013 in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Emphasis of matters**

We draw attention to the following:

1. These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.
2. We draw attention to note 2 to the financial statements which sets out the fact that the Board of Directors of the Company has decided to recommend to the shareholders of the Company, not to pursue the transfer of insurance portfolios which were disclosed in the prospectus issued for initial public offering by the Company. The Company is in the process of seeking necessary approvals from the shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete the legal formalities.

KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382



Deloitte & Touche Bakr Abulkhair & Co.

Ehsan A. Makhdom  
Certified Public Accountant  
Licence No. 358



19 Rabi Al Akhar 1435H  
19 February 2014



**Al Fozan & Al Sadhan**  
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Kingdom of Saudi Arabia  
License No. 46/11/323 issued 11/3/1992



Deloitte & Touche  
Bakr Abulkhair & Co.  
P.O. Box 442, Jeddah 21411  
Kingdom of Saudi Arabia

## **INDEPENDENT JOINT AUDITORS' REPORT**

### **THE SHAREHOLDERS ALINMA TOKIO MARINE COMPANY (A SAUDI JOINT STOCK COMPANY)**

#### **Scope of audit**

We have audited the accompanying statement of financial position of Alinma Tokio Marine Company – a Saudi Joint Stock Company ('the Company') as at 31 December 2012, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, insurance operations' cash flows, shareholders' cash flows and changes in shareholders' equity for the period then ended and the attached notes 1 through 24 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 and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the audit evidence we have obtained is sufficient and appropriate to provide a 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 at 31 December 2012 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of matter**

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

Without qualifying our opinion, we draw attention to note 2 to the financial statements which sets out the fact that the Board of Directors of the Company has decided to recommend to the shareholders of the Company, not to pursue the transfer of insurance portfolios and acquisition of assets which were disclosed in the prospectus issued for initial public offering by the Company. The Company is in the process of seeking necessary approvals from shareholders, SAMA and other regulatory authorities in the Kingdom of Saudi Arabia to complete legal formalities.



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P.O. Box 442, Jeddah 21411  
Kingdom of Saudi Arabia

As disclosed in note 1, per the Company's by-laws and Articles of Association, the Company's first fiscal year shall commence on the issuance date of the Ministerial Resolution announcing the incorporation of the Company, which was dated 19 Rajab 1433 H (corresponding to 9 June 2012), and will end on 31 December the following year, being 31 December 2013. These financial statements cover the period from 9 June 2012 to 31 December 2012 ('the period'), and have been prepared to comply with the requirements of the Capital Market Authority.

for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382

for Deloitte & Touche Bakr Abulkhair & Co

Al-Mutahhar Y. Hamiduddin  
Certified Public Accountant  
Licence No. 296



Rabi-ul-Thani 14, 1434H  
February 24, 2013  
Jeddah, Kingdom of Saudi Arabia



**ALINMA TOKIO MARINE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**

As at **31 December 2013**

	Notes	31 December 2013 SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>		
Cash and bank balances	5	8,924
Premiums and reinsurance receivables, net	6	16,750
Reinsurers' share of outstanding claims	11	11,958
Reinsurers' share of unearned premiums	12	8,826
Deferred policy acquisition costs		1,218
Due from shareholders' operations		9,223
Prepayments and other assets	7	3,374
Furniture, fittings and office equipment	9	4,449
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>64,722</b>
<b>SHAREHOLDERS' ASSETS</b>		
Cash and cash equivalents	5	51,431
Murabaha deposits		15,384
Investments	8	45,383
Due from a related party	20	117
Prepayments and other assets	7	26
Statutory deposit	10	20,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>132,341</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>197,063</b>

The accompanying notes 1 to 26 form an integral part of these financial statements.

**ALINMA TOKIO MARINE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2013

	Notes	31 December 2013 SR'000
INSURANCE OPERATIONS' LIABILITIES		
Gross outstanding claims	11	19,138
Reinsurance balances payable		12,253
Gross unearned premiums	12	18,066
Unearned reinsurance commission		1,665
Accrued expenses and other liabilities	14	11,985
Employees' end-of-service benefits		1,615
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>64,722</b>
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Accrued expenses and other liabilities		2,534
Due to insurance operations		9,223
Zakat and income tax payable	19	1,809
<b>Total shareholders' liabilities</b>		<b>13,566</b>
SHAREHOLDERS' EQUITY		
Share capital	15	200,000
Accumulated losses		(81,225)
<b>Total shareholders' equity</b>		<b>118,775</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>132,341</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>197,063</b>

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF INSURANCE OPERATIONS' AND ACCUMULATED SURPLUS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	Notes	For the period from 9 June 2012 to 31 December 2013 SR'000
<b>REVENUES</b>		
Gross written premiums	12	51,252
Reinsurance premiums ceded	12	(28,491)
Excess of loss premiums	12	(4,824)
Net written premiums		17,937
Changes in gross unearned premiums	12	(18,066)
Changes in reinsurance share of unearned premiums	12	8,826
Net change in unearned premiums		(9,240)
Net earned premiums	12	8,697
Reinsurance commission earned and other income		2,662
Total insurance revenues		11,359
<b>CLAIMS AND EXPENSES</b>		
Gross claims paid	11	(56,132)
Reinsurers' share of claims paid	11	50,843
Net claims paid		(5,289)
Changes in gross outstanding claims		(19,138)
Changes in reinsurers' share of outstanding claims		11,958
Changes in net outstanding claims	11	(7,180)
Net claims incurred		(12,469)
Policy acquisition costs		(691)
Inspection and supervision fees		(241)
General and administrative expenses	16	(38,738)
Total claims and expenses		(52,139)
Net deficit for the period from insurance operations		(40,780)
Appropriation of net deficit transferred to shareholders' operations	3	40,780
Net result for the period from insurance operations		--

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF SHAREHOLDERS' OPERATIONS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	Notes	For the period from 9 June 2012 to 31 December 2013 SR'000
INCOME		
Investment income		2,113
Other income		416
Total income		2,529
EXPENSES		
Net deficit transferred from insurance operations		(40,780)
General and administrative expenses	16	(10,104)
Pre-incorporation expenses, net	17	(24,695)
Total expenses		(75,579)
Net loss for the period from shareholders' operations		(73,050)
Loss per share (SR)	23	(3.65)

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	For the period from 9 June 2012 to 31 December 2013
	SR'000
Net loss for the period from shareholders' operations	(73,050)
Other comprehensive expense	
Zakat for the period (Note 19)	(2,233)
Total comprehensive loss for the period from shareholders' operations	(75,283)

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	Note	Share capital	Accumulated losses	Total
		SR '000	SR '000	SR '000
Share capital		200,000	-	200,000
Transaction cost relating to issue of share capital	15.2	-	(5,942)	(5,942)
Net loss for the period from 9 June 2012 to 31 December 2013		-	(73,050)	(73,050)
Zakat for the period	19	-	(2,233)	(2,233)
Balance as at 31 December 2013		200,000	(81,225)	118,775

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF INSURANCE OPERATIONS' CASHFLOWS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	Notes	For the period from 9 June 2012 to 31 December 2013 SR'000
OPERATING ACTIVITIES		
Net result for the period from insurance operations		-
Adjustments for:		
Allowance for doubtful receivables	6	1,172
Loss on disposal of furniture, fitting and office equipment		2
Depreciation	9	2,159
Employees' end of service benefits, net		1,615
Income before changes in operating assets and liabilities		4,948
Changes in operating assets and liabilities:		
Reinsurers' share of unearned premiums		(8,826)
Gross unearned premiums		18,066
Premiums and reinsurance receivables, net		(17,922)
Reinsurers' share of outstanding claims		(11,958)
Deferred policy acquisition cost		(1,218)
Prepayments and other assets		(3,374)
Gross outstanding claims		19,138
Due from shareholders' operations		(9,223)
Reinsurance balances payable		12,253
Unearned reinsurance commission		1,665
Accrued expenses and other liabilities		11,985
Net cash from operating activities		15,534
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment		(6,611)
Proceeds from disposal of furniture, fittings and office equipment		1
Net cash used in investing activities		(6,610)
Cash and bank balances at the end of the period	5	8,924

The accompanying notes 1 to 26 form an integral part of these financial statements.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

	Notes	For the period from 9 June 2012 to 31 December 2013 SR'000
OPERATING ACTIVITIES		
Net loss for the period		(73,050)
Adjustment for:		
Realized gain on trading investments	18	(847)
Unrealized gain on trading investments	18	(191)
Loss before changes in operating assets and liabilities		(74,088)
Changes in operating assets and liabilities:		
Prepayments and other assets		(26)
Due from a related party		(117)
Statutory deposit		(20,000)
Due to insurance operations		9,223
Accrued expenses and other liabilities		2,534
Zakat paid during the period		(424)
Net cash used in operating activities		(82,898)
INVESTING ACTIVITIES		
Purchase of investments		(294,410)
Murabaha deposits		(30,384)
Maturity of murabaha deposits		15,000
Proceeds from sale of investments		250,065
Net cash used in investing activities		(59,729)
FINANCING ACTIVITIES		
Issue of share capital		200,000
Transaction costs on issue of share capital		(5,942)
Net cash from financing activities		194,058
Cash and cash equivalents at the end of the period	5	51,431

The accompanying notes 1 to 26 form an integral part of these financial statements.

# ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 1. REPORTING ENTITY AND OPERATIONS

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 1010342537 dated 28 Rajab 1433H (corresponding to 18 June 2012). The Registered Office address of the Company is:

Al-Mosa Centre

P.O. Box 643,

Riyadh 11421, Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009). The Company is listed on the Saudi Stock Exchange ("Tadawul") since 24 June 2012.

The objective of the Company is to engage in cooperative insurance operations and related activities, including reinsurance, agencies, representation, correspondence and intermediary activities in the Kingdom of Saudi Arabia in accordance with its Articles of Association and applicable regulations in the Kingdom of Saudi Arabia.

As per the Company's By-laws and its Articles of Association, the Company's first fiscal year shall commence on the issuance date of the Ministerial Resolution announcing the incorporation of the Company, which was dated 19 Rajab 1433 H (corresponding to 9 June 2012), and will end on 31 December the following year, being 31 December 2013. These financial statements cover the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013 ("the period").

These are the first financial statements of the Company and therefore no comparative information is presented in these financial statements.

### 2. INSURANCE PORTFOLIOS AND ASSET TRANSFER AGREEMENTS

After careful consideration, the Board of Directors of the Company has decided to recommend to the shareholders' of the Company, not to pursue the transfer of the insurance portfolios of the Arab Eastern Insurance Company ("AEIC") and Tokio Marine & Nichido Fire Insurance Co. Limited ("TMNF"). These transfers were initially planned and disclosed in the prospectus issued for initial public offering of the Company. In line with the recommendation of the Board of Directors, the Company is in the process of seeking necessary approvals from shareholders, Saudi Arabian Monetary Agency ("SAMA") and other regulatory authorities in the Kingdom of Saudi Arabia to complete legal formalities. However, the Company shall make payments for fixed assets in its use to Hussein Aouei Company ("HAC") at a mutually agreed price.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 3. BASIS OF PREPARATION

##### Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

##### Basis of measurement

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments.

##### Basis of presentation

As required by the Saudi Arabian Insurance Regulations issued by SAMA, the Company maintains separate books of accounts for the Insurance operations' and Shareholders' operations. The physical custody 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 books of accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

As per the By-laws of the Company, the deficit arising from the insurance operation is allocated fully to Shareholders' operations whereas the surplus arising from the Insurance operations' is distributed 90% and 10% to Shareholders' of the Company and Policy holder respectively.

##### Functional and presentation currency

The financial statements are expressed in Saudi Arabian Riyals (SR), which is the functional currency of the Company. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

##### Use of estimates and judgments

##### Estimation uncertainty

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 3. BASIS OF PREPARATION (continued)

##### Technical reserve for insurance activities

Judgment by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provision for claims incurred, and claims incurred but not reported, on a quarterly basis. Any difference between the provision 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 period. The provision for outstanding claims, as at 31 December, is also verified and certified by the Company's appointed external actuary.

##### Premium deficiency reserve

Estimation of the premium deficiency for insurance business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the segment-wise actual claims experience of the Company.

##### Useful life of furniture, fittings and office equipment

The Company's management determines the estimated useful lives of its furniture, fittings, and office equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

##### 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 fair value of financial instruments are not materially different from their carrying values at the statement of financial position date.

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

Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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

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

# ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 3. BASIS OF PREPARATION (continued)

#### NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

The Company has chosen not to early adopt the amendment to IAS 32 – Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be affected until 1 January 1, 2014.

IFRS 9 (2010) – Financial instruments was originally applicable from January 1, 2005 but the effective date has delayed.

The Company's management is currently assessing the implication of the above standards and amendments and the timing of adoption of IFRS 9.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these financial statements are set out below:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and Murabaha deposits that have original maturity period not exceeding three months.

#### Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective yield method, less any impairment in value.

#### Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including reinsurance receivables) may be impaired. If such evidence exists, an impairment loss is recognized in the statement of Insurance operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss recognized in the statement of Insurance Operations' or the statement of Shareholders' Operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.
- 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;

# ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment and un-collectability of financial assets (Continued)

- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

#### Premiums and reinsurance receivable

Premiums and reinsurance receivable are recognized as a financial asset when the policies are issued and the consideration is receivable. 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. 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.

#### Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis.

#### Segment reporting

A segment is a distinguishable component of the Company portfolio 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.

#### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating 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.

# ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SR at the rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate

as the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

#### Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

#### Investments

##### Trading investments

Trading investment represents investment in short term Murabaha fund which is readily marketable, and initially recognised at cost being the fair value and subsequently remeasured at fair value. Fair value is determined by reference to the net asset value (NAV) quoted by the fund manager. The resultant realised and unrealised gains and losses are recognised in the statement of shareholders' operations.

##### Available for sale investments (AFS)

Investments which are classified as available for sale are measured at fair value. Available for sale investments are those investments that are either designated in this category or not classified in any other category. For an available for sale investments, any gain or loss arising from a change in its fair value is recognized directly in other comprehensive income until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to and recognised in the statement of shareholders' operations for the period.

#### Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets. The estimated useful lives of assets for calculation of depreciation are as follows:

	Years
Leasehold improvements	5
Furniture and office equipment	5
Computer equipment	3-5

Residual values, useful lives and the method of the depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of insurance operations.

Expenditure for repair and maintenance is charged to the statement of insurance operations'. Improvements that increase the value or materially extend the life of the related assets are capitalised.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the period is transferred to the statement of insurance operations.

##### Pre-incorporation expenses

Expenses incurred by the Company during the formation period, the licensing process and related to the Initial Public Offering (IPO) with no future benefits are charged to the statement of shareholders' operations.

##### Transaction costs

Transaction costs to raise share capital are incremental costs that are directly attributable to the issue of share capital and are accounted for as a deduction from equity.

##### Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance

where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance 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 reduced significantly during this period.

##### Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If such an assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision is made.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

##### Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakatable base of Saudi founding and general public shareholders' while income tax is computed on the non Saudi founding shareholders share of net adjusted income.

Zakat and income taxes are accrued and charged to the accumulated loss under the statement of shareholders' equity.

##### Revenue recognition

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. The change in the provision for unearned premiums is taken to the statement of insurance operations, over the period of risk.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Revenue recognition (continued)

Unearned premiums and commissions are those proportions of premiums and commissions written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial period.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized from the policy inception date.

Investment income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable. Realized gains or losses on sale of Available for sale investments are reported in the related statements of Insurance operations or statement of Shareholders' comprehensive income. Dividends, commission income and foreign currency gain/loss on AFS investments are recognized at the related statements of Insurance operations or statement of Shareholders' comprehensive income, as part of the net investment income / loss.

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

##### Claims

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

A provision based on management's judgment is maintained for Incurred But Not Reported ("IBNR") claims at the statement of financial position date.

##### Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

##### Trade date accounting

All regular way purchases and sales of financial assets are 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.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Deferred acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

##### Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

#### 5. CASH AND CASH EQUIVALENTS

	31 December 2013
	SR '000
Insurance operations	
Cash in hand	42
Cash at banks - current accounts	8,882
	8,924
Cash at banks includes an amount of SR 8.87 million held with Alinma Bank, a related party.	
Shareholders' operations	
Cash at bank - current account	1,431
Short-term Murabaha deposits	50,000
	51,431

Cash at bank represents current account held with Alinma Bank, a related party.

Short term Murabaha deposits are placed with Alinma Bank, a related party, for a period ranging between 8 days to three months depending on the immediate cash requirements of the Company.

#### 6. PREMIUMS AND REINSURANCE RECEIVABLES, NET

	31 December 2013
	SR '000
Insurance operations	
Premiums receivables from policyholders	11,598
Premiums receivable from related party (note 20)	1,837
Reinsurance receivables	4,487
	17,922
Less: Provision for doubtful receivables	(1,172)
	16,750

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 6. PREMIUMS AND REINSURANCE RECEIVABLES' NET (Continued)

These balances comprise amounts receivable from a number of individual and corporate customers as well as insurance companies and reinsurance companies mainly operating in Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain mutually agreed period.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables.

As at 31 December 2013, receivables at nominal value of SR 1.17 million were impaired. Movement in the allowance for impairment of receivables is as follows:

	For the period from 9 June 2012 to 31 December 2013
	SR'000
Provided during the period	1,172
Balance as at 31 December 2013	1,172

The age analysis of premiums and reinsurance receivables arising from insurance contracts is as follows:

	Neither past due nor impaired	Up to 3 months	3 to 6 months	6 to 12 months	Above 12 months	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2013	4,012	5,492	6,366	2,052	--	17,922

#### 7. PREPAYMENTS AND OTHER ASSETS

	31 December 2013
	SR'000
Insurance operations	
Prepayments	2,775
Other receivables	599
	3,374
Shareholders' operations	
Accrued income on Murabaha deposits	26

**ALINMA TOKIO MARINE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

**8. INVESTMENTS**

**Shareholders' operations**

This represents investment in Najm for Insurance Services Company (classified as available for sale) and in open ended commodity fund (classified as trading investments):

	31 December 2013
	SR'000
Available for sale investment	1,923
Trading investment	43,460
	45,383
The movement during the period is as follows:	For the period from 9 June 2012 to 31 December 2013
	SR'000
Available for sale investments	
Purchased during the period	2,423
Sold during the period	(500)
Balance as at 31 December 2013	1,923
Trading Investments	
Purchased during the period	291,987
Sold during the period	(249,565)
Realised gain, net	847
Unrealised gain	191
Balance as at the 31 December 2013	43,460

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 9. FURNITURE, FITTINGS AND OFFICE EQUIPMENT

##### Insurance operations'

	Leasehold improvements	Furniture and office equipment	Computer equipment	Total
	SR'000	SR'000	SR'000	SR'000
Cost				
Purchased during the period	514	424	5,673	6,611
Disposals during the period	--	--	(3)	(3)
Balance as at 31 December 2013	514	424	5,670	6,608
Accumulated depreciation				
Charge for the period	102	109	1,949	2,160
Disposals	--	--	(1)	(1)
Balance as at 31 December 2013	102	109	1,948	2,159
Net book value				
31 December 2013	412	315	3,722	4,449

#### 10. STATUTORY DEPOSIT

	31 December 2013
	SR'000
Shareholders' operations	
Statutory deposit	20,000

In accordance with the Saudi Arabian Insurance Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"), the Company has deposited an amount equivalent to 10% of its paid up share capital in a bank account designated by SAMA.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 11. OUTSTANDING CLAIMS

##### a) Incurred claims

Insurance operations'	For the period from 9 June 2012 to 31 December 2013			
	Motor	General	Group Credit	Total
	SR'000	SR'000	SR'000	SR'000
Claims paid	1,315	51,285	3,532	56,132
Reinsurers' share of claims paid	-	(48,017)	(2,826)	(50,843)
Net claims paid	1,315	3,268	706	5,289
Changes in outstanding claims, IBNR and other reserves	3,004	13,726	2,408	19,138
Changes in reinsurers' share of outstanding claims, IBNR and other reserves	--	(10,032)	(1,926)	(11,958)
Net outstanding claims, IBNR and other reserves	3,004	3,694	482	7,180
Total incurred claims	4,319	6,962	1,188	12,469

General segment includes Marine, Fire, Engineering and general accident.

##### b) Outstanding claims

Insurance operations'	31 December 2013		
	Gross	Reinsurers' Share	Net
	SR'000	SR'000	SR'000
Motor outstanding claims			
Outstanding claims reserve	883	--	883
Incurred but not reported reserve	549	--	549
Other reserves	1,572	--	1,572
General outstanding claims			
Outstanding claims reserve	8,556	(8,175)	381
Incurred but not reported reserves	2,357	(1,857)	500
Other reserves	2,813	--	2,813
Group Credit outstanding claims			
Outstanding claims reserve	153	(123)	30
Incurred but not reported reserve	2,255	(1,803)	452
Total outstanding claims	19,138	(11,958)	7,180

During the period, the Company has created a provision in respect of premium deficiency, amounting to SR 2.15 million, for Motor, Marine and General accident line of businesses. The Company created this provision based on the assumption that the unearned premiums for these business lines will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force at the balance sheet date.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 12. NET EARNED PREMIUMS

Insurance operations'	For the period from 9 June 2012 to 31 December 2013
	SR'000
Gross written premiums	51,252
Gross unearned premiums at the end of the period	(18,066)
Gross earned premiums	33,186
Reinsurance premiums ceded	(28,491)
Excess of loss premiums	(4,824)
	(33,315)
Reinsurers' share of unearned premiums at the end of the period	8,826
Insurance premiums ceded to reinsurers	(24,489)
Net earned premiums	8,697

#### 13. MOVEMENT IN UNEARNED PREMIUM RESERVE

Insurance operations'	31 December 2013		
	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000
Premium written during the period	51,252	(33,315)	17,937
Premium earned during the period	(33,186)	24,489	(8,697)
Balance as at 31 December 2013	18,066	(8,826)	9,240

#### 14. ACCRUED EXPENSES AND OTHER LIABILITIES

Insurance operations'	31 December 2013
	SR'000
Accrued expenses	6,418
Coinsurance commission	2,871
Brokers commission	1,549
Payable to local and regulatory authorities	814
Payable to policyholders	278
Other payables	55
	11,985
Shareholders' operations	
Accrued expenses	2,534



## ALINMA TOKIO MARINE COMPANY

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For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 17. PRE-INCORPORATION EXPENSES, NET

	For the period from 9 June 2012 to 31 December 2013
	SR'000
Employees' costs	13,052
Depreciation	2,388
Bank guarantee commission	3,695
Legal and professional fees	1,279
Travelling expenses	759
Rent	1,202
Others	2,795
Total expenses	25,170
Less:	
Income earned from investment in short-term Murabaha deposit up to the date of Ministerial resolution (9 June 2012)	(475)
	24,695

Pre-incorporation expenses represent costs incurred by founding shareholders on behalf of the Company, and subsequently recharged to the Company, for the period from September 2004 up to 9 June 2012 (the date of issuance of the Ministerial Resolution declaring the incorporation of the Company).

#### 18. INVESTMENT INCOME, NET

Shareholders' operations	For the period from 9 June 2012 to 31 December 2013
Trading investments:	SR in 000s
- Realized gain during the period, net	847
- Unrealized gain during the period	191
Total investment income	1,038

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 19. ZAKAT AND INCOME TAX

##### Zakat

The Company's/Zakat liability for the period has been calculated in accordance with the provisions of Zakat regulations in the Kingdom of Saudi Arabia.

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.5% on the zakat base for the year.

The difference between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income.

The movement in the Zakat provision for the period is as follows:

	For the period from 9 June 2012 to 31 December 2013
	SR'000
Zakat charge for the period	2,233
Zakat payment made during the period	(424)
Balance as at 31 December 2013	1,809

##### Status of assessment

The Company has filed its first Zakat return with the Department of Zakat and Income tax ("DZIT") for the period from 9 June 2012 (date of ministerial resolution) to 8 June 2013 however, the final assessment order has not yet been received.

##### Income tax

The Company has incurred a loss during the period, therefore, no income tax is charged to Statement of Shareholders' Comprehensive Income.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 20. TRANSACTIONS WITH RELATED PARTIES

20.1 In addition to the note 5 and 6, following are the details of major related party transactions during the period and the related balances at the end of the period:

Nature of Transaction	Related party	For the period from 9 June	Balance as of 31 December
		2012 to 31 December 2013	2013
		SR'000	SR'000
IPO related cost	Shareholder	5,942	--
Pre-incorporation costs	Shareholders	23,566	--
	Associate	400	--
Insurance premiums	Shareholder	13,750	1,837
Reinsurance premiums	Shareholder	6,906	4,662
Claims paid	Shareholder	3,599	--
Purchase of fixed assets	Shareholders	3,372	--
	Associate	6	--
Reinsurance Commission	Shareholder	727	--
General and administration expenses	Shareholders	8,794	--
	Associate	5,350	117
Murabaha Deposits	Shareholder	50,000	50,000

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 20. TRANSACTIONS WITH RELATED PARTIES (continued)

##### 20.2 Information relating to key management personnel

	For the period from 9 June 2012 to 31 December 2013
	SR '000
Short-term benefits	9,909
Long-term benefits	428

Short-term benefits include salaries and allowances whilst long-term benefits include employees' end of service benefits.

##### 20.3 Board and sub-committee related expenses:

	For the period from 9 June 2012 to 31 December 2013
	SR '000
Board of director's remuneration	1,615
Board and sub-committees attendance fee	399

Board and sub-committees attendance fees represent allowances for attending board and sub-committee meetings.

#### 21. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitment associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The financial liabilities consist of outstanding claims and certain other liabilities. All financial liabilities, except for employees' end of service benefits which is non-current in nature, are non-commission bearing and expected to be settled within twelve months from the statement of financial position date.

All assets of the Company, except for Murabaha deposits, furniture, fittings and office equipments and statutory deposit, are current in nature.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 21. RISK MANAGEMENT (continued)

Maturity Profile		31 December 2013	
		SR'000	
INSURANCE OPERATIONS' LIABILITIES	Less than one year	No term	Total
	SR'000	SR'000	SR'000
Reinsurance balances payable	12,253	--	12,253
Gross Outstanding claims	19,138	--	19,138
Accrued expenses and other liabilities	11,985	--	11,985
	43,376	--	43,376
SHAREHOLDERS' LIABILITIES	Less than one year	No term	Total
Accrued expenses and other liabilities	2,534	--	2,534

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to meet liquidity requirements.

#### 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 credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

The Company seeks to limit its credit risk with respect to customers by following the Company credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with standards and poors) and AA- (with AM Best).

The table below shows the maximum exposure to credit risk for the components of the financial position:

	31 December 2013
	SR'000
INSURANCE OPERATIONS' ASSETS	
Cash and bank balances	8,882
Premiums and reinsurance receivables, net	16,750
Reinsurers' share of outstanding claims	11,958
	37,590

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 21. RISK MANAGEMENT (continued)

	31 December 2013
	SR' 000
SHAREHOLDERS' ASSETS	
Cash and cash equivalents	51,431
Murabaha deposits	15,384
Statutory deposit	20,000
	86,815

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified due to its early stage of operations however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

#### Market Risk and Asset Liability Management

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecast showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and perform regular monitoring of developments in related markets. In addition, the key factors that affect stock and bond market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: commission rate risk, currency risk, and market price risk.

#### Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability of the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits.

The Company places deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 21. RISK MANAGEMENT (continued)

##### Commission rate risk (continued)

An increase/decrease of 100 basis points in interest yields would result in a change in the loss for the period of SR 0.15 million.

The commission and non-commission bearing investments of the Company and their maturities as at 31 December are as follows:

Shareholders' operations	Less than 1 year	1 to 5 years	Over 5 years	Non-commission bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
2013	15,384	--	--	43,460	58,844

There is no significant difference between contractual re-pricing and maturity dates.

##### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyal.

##### Market Price Risk

Market price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's investments amounting to SAR 43 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits this nature of market risk by diversifying its investment portfolio and by actively monitoring the developments in markets.

Had all investments, other than commission bearing, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change of a 10% in the Net Asset Value of the funds, with all other variables held constant, would impact the Shareholders' operations by SR 4.3 million.

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2013. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

# ALINMA TOKIO MARINE COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 21. RISK MANAGEMENT (continued)

#### Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It is possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 10 percent is analyzed separately for each class of business while keeping all other assumptions constant.

Impact of change in claim liabilities by + / - 10%	Net loss	Shareholders' equity
Motor	300	300
General	369	369
Group credit	48	48

A key feature of the liability adequacy testing is that the effects of changes in assumptions on the measurement of liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of liabilities and related assets until the liabilities are derecognised, while significant deterioration in estimates is immediately recognised to make the liabilities adequate.

#### 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 quota share 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 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.

The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

# ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

### 21. RISK MANAGEMENT (continued)

#### Re-insurance 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 (e.g. S&P) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local insurance regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

#### Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 21. RISK MANAGEMENT (continued)

##### Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in Motor and Group credit.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates majorly in Saudia Arabia only, hence, all the insurance risks relate to policies written in Saudia Arabia.

##### Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims and technical reserves are given under note 11.

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 21. RISK MANAGEMENT (continued)

##### Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

##### Operational risk

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

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

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 21. RISK MANAGEMENT (continued)

##### Operational risk (continued)

- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

##### Regulatory framework risk

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

##### Capital management risk

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. The Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with the regulatory requirements and no change has been made to the capital base or to the objectives, policies and processes for managing capital.

## ALINMA TOKIO MARINE COMPANY

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 22. Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. 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. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposit, reinsurance share of outstanding claims, investments and accrued income and its financial liabilities consist of reinsurance balance payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

The table below presents the financial instruments at their fair values based on their fair value hierarchy.

As at 31 December 2013	Level 1	Level 2	Level 3	Total
	SR'000	SR'000	SR'000	SR'000
Trading investment				
- Investment in commodity fund	-	43,460	-	43,460
Available for sale investment				
- Unquoted equity investment	-	-	1,923	1,923
Total	-	43,460	1,923	45,383

There were no transfers between the levels of fair value hierarchies during the period.

Level 3 investments comprise investment in unquoted equity instruments. The unquoted equity instruments are carried at an amount which as per the management is the best estimate of the exit price i.e. fair value.

#### 23. LOSS PER SHARE

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

	31 December 2013
Net loss for the period (SR'000)	73,050
Weighted average number of ordinary share (Number in thousands)	20,000
Loss per share	SR 3.655

#### 24. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2013, the Company had no contingent liabilities and commitments.

## ALINMA TOKIO MARINE COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 25. SEGMENT REPORTING

Segment information is presented in respect of the Company's business segments which are Fire, Marine, General Accident, Engineering, Motor and Group Credit based on the Company's management and internal reporting structure.

Operating segments do not include Shareholders' operations of the Company.

Segment assets do not include cash and bank balances, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and furniture, fittings and office equipment.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' end of service benefits.

Segment results do not include general and administrative expenses.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipment) are monitored on a centralized basis.

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 executive officer as follows:

The segment results from 9 June 2012 to 31 December 2013 are as follows:

	Fire	Marine	General accident	Engineering	Motor	Group credit	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUES							
Gross written premiums	15,941	8,636	3,471	1,573	10,764	10,867	51,252
Reinsurance premiums ceded	(10,819)	(7,714)	(2,919)	(1,469)	-	(5,570)	(28,491)
Excess of loss premiums	(3,893)	(331)	(254)	(36)	(310)	-	(4,824)
Net written premiums	1,229	591	298	68	10,454	5,297	17,937
Net change in unearned premiums	(1,384)	(308)	(208)	(75)	(7,265)	-	(9,240)
Net earned premiums	(155)	283	90	(7)	3,189	5,297	8,697
Reinsurance commission earned and other income	1,526	557	538	32	5	4	2,662
Total insurance revenue	1,371	840	628	25	3,194	5,301	11,359
CLAIMS AND EXPENSES							
Net claims incurred	(1,770)	(4,426)	(748)	(18)	(4,319)	(1,188)	(12,469)
Policy acquisition costs	(157)	(45)	(33)	(10)	(446)	-	(691)
Inspection and supervision fees	(72)	(42)	(14)	(6)	(54)	(53)	(241)
General and administrative expenses	-	-	-	-	-	-	(38,738)
Net deficit from insurance operations							(40,780)

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### NOTES TO THE FINANCIAL STATEMENTS

For the period from 9 June 2012 (Date of Ministerial Resolution) to 31 December 2013

#### 25. SEGMENT REPORTING (continued)

The segment information relating to the statement of financial position as at 31 December 2013 is as follows:

	Fire	Marine	General accident	Engineering	Motor	Group credit	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Reinsurers' share of outstanding claims	6,288	1,750	1,954	40	-	1,926	11,958
Reinsurers' share of unearned premiums	3,905	2,690	891	1,340	-	-	8,826
Deferred policy acquisition costs	282	45	6	98	787	-	1,218
Unallocated assets	-	-	-	-	-	-	42,720
<b>Total assets</b>							<b>64,722</b>
Gross outstanding claims	8,039	2,852	2,776	59	3,004	2,408	19,138
Gross unearned premiums	5,288	2,998	1,099	1,416	7,265	-	18,066
Unearned insurance commission	948	275	199	243	-	-	1,665
Unallocated liabilities	-	-	-	-	-	-	25,853
<b>Total liabilities</b>							<b>64,722</b>

#### 26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 11 Rabi Al Akhar 1435 H corresponding to 11 February 2014.

الإيمان طوكيو مارين  
Alinma Tokio Marine

