



Al Alamiya for Cooperative Insurance Co.

Board of Directors' Report 2016

BOARD OF DIRECTORS' REPORT

The Board of Directors of Al Alamiya For Cooperative Insurance Company (hereinafter referred to as the "Company" or "Al Alamiya") have great pleasure in presenting to our Shareholders the Annual Report for the year ended 31-12-2016 G.

The year 2016 witnessed a continuation of the turnaround in performance that had been set in motion in 2015, with the Company posting Profits after Zakat for the year of SR 38.5 Million under challenging business circumstances. In an economic environment that was characterized by continued low oil prices, the Company remained committed to its core values of adherence to strong underwriting discipline and prudent risk selection backed by operational efficiency and well constructed customer and broker propositions which has resulted in an improved financial position and the reduction of the accumulated losses of the company by 35.66% at the end of 2016.

The year also saw the continued evolution of the regulatory environment with key regulators such as the Saudi Arabian Monetary Authority ("SAMA") and the Capital Markets Authority ("CMA") continuing their journey of raising the benchmarks on Corporate Governance and issuing guidelines and standards for the betterment and long-term robustness of the corporate sector as a whole as well as the insurance sector in particular. In response to these, the Company undertook a review of its Corporate Governance arrangements and took necessary steps to comply with the regulations. Notable amongst these were the update of its Governance Manual (including the Terms of Reference of the Board Committees) and the reconstitution of its Audit Committee with the required level of independence, qualifications, skills and experience as required by SAMA and obtaining the Shareholders' approval of the same. Further, during the year the Company received its Sharia Compliance Report and Certificate from its Sharia'a Advisor, Shariyah Review Bureau.

A. BUSINESS PERFORMANCE AND PLANS FOR THE FUTURE

(i) Principal Activities

The Company is licensed by SAMA to transact insurance and reinsurance business in the Kingdom of Saudi Arabia in the classes of General Insurance, Medical Insurance, and Protection and Savings Insurance. During the year 2016, the Company had received full product approvals for 15 products and closed their 'file and use' status. As at 31-12-2016 G, the company has 32 products. The company is also planning to develop new products in 2017.

The split of the activities between the lines of business and the major business segments is as follows (SR in millions):

Turnover and contribution to trading results by lines of business

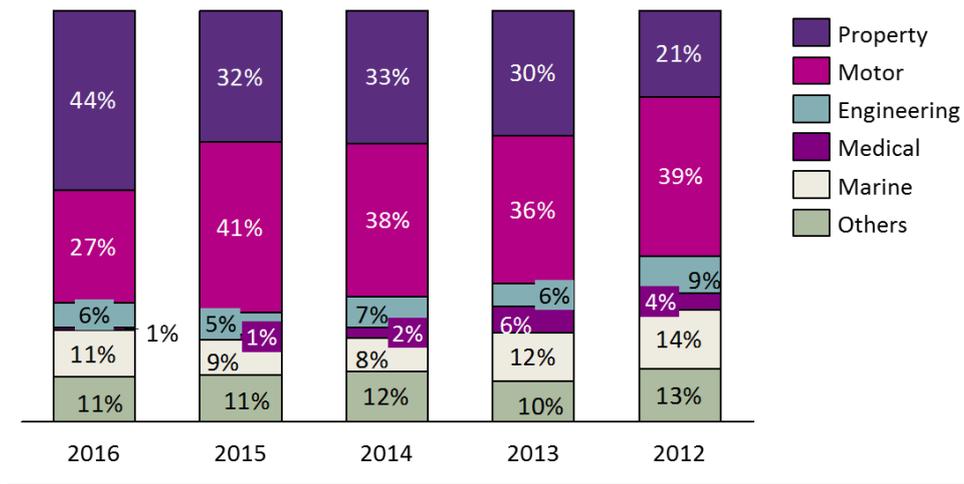
SR Million

Description	Year	Property	Motor	Engineering	Medical	Marine	Others	Total
Gross Written Premiums	2016	136.19	84.35	18.73	2.36	34.61	34.51	310.75
	2015	128.69	166.58	20.66	5.52	35.59	44.99	402.03
	2014	107.95	125.68	24.96	7.91	27.61	41.09	335.20
	2013	100.43	118.54	19.16	20.81	39.03	32.91	330.88
	2012	52.37	95.46	22.20	10.30	35.28	32.46	248.07
Net Written Premiums	2016	38.26	83.12	2.57	0.88	15.81	19.96	160.60
	2015	47.17	164.43	1.76	2.18	16.99	22.77	255.30
	2014	15.02	123.51	1.53	3.18	11.50	17.00	171.74
	2013	3.13	115.52	1.34	9.49	14.23	16.01	159.72
	2012	3.64	91.10	1.58	7.55	11.60	15.86	131.33
Net Premiums Earned	2016	41.88	122.70	2.66	0.92	16.86	22.28	207.30
	2015	30.56	161.34	1.80	3.63	16.36	21.16	234.85
	2014	6.64	119.35	1.34	5.08	11.58	16.22	160.21
	2013	3.29	110.38	1.71	9.77	14.32	15.56	155.03
	2012	2.34	81.06	2.38	8.21	11.91	14.32	120.22
Net Underwriting Result*	2016	34.86	28.93	4.90	(0.38)	15.00	18.39	101.70
	2015	20.33	43.58	0.94	1.58	10.54	16.89	93.86
	2014	14.57	(8.52)	4.91	(1.18)	8.94	10.11	28.83
	2013	6.91	(7.43)	3.75	2.30	13.08	14.59	33.20
	2012	7.23	21.19	3.19	2.53	10.78	13.96	58.88
Un-allocated Operating (Expenses)/Income	2016							(55.27)
	2015							(65.03)
	2014							(57.09)
	2013							(54.86)
	2012							(54.00)
Insurance operations' Surplus/(Deficit)	2016							46.43
	2015							28.83
	2014							(28.26)
	2013							(21.66)
	2012							4.88

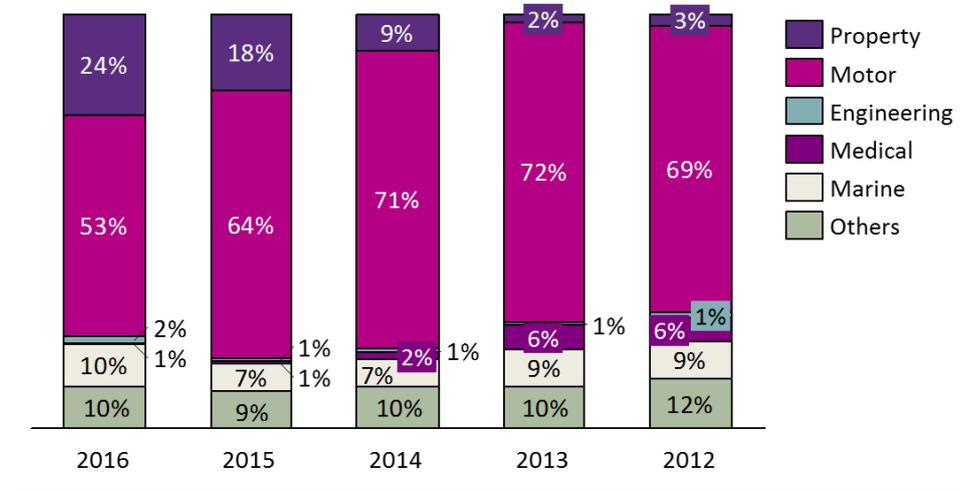
*Net Underwriting Result excludes the unallocated Other Underwriting Expenses.

Lines of Business

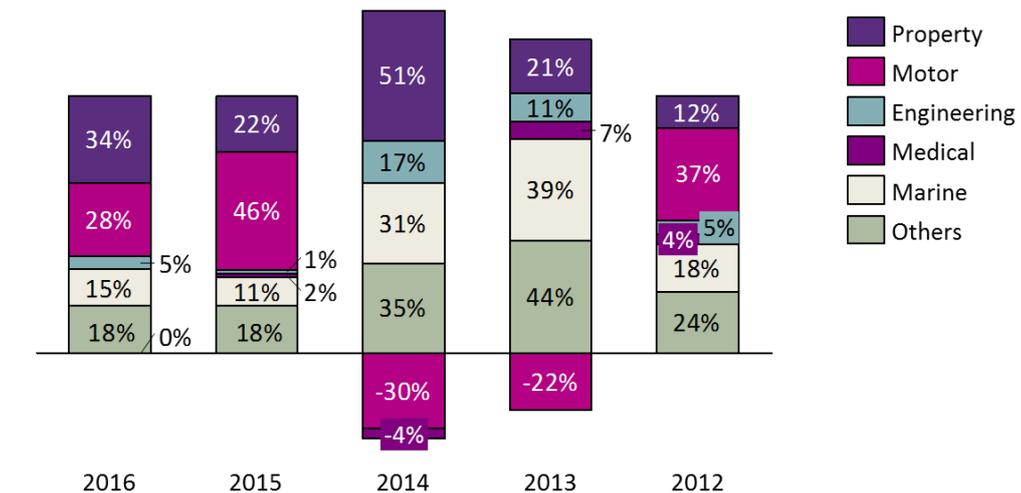
Gross Written Premiums



Net Written Premiums



Net Underwriting Result*



*Net Underwriting Result excludes the unallocated Other Underwriting Expenses.

(ii) Plans for the future***

With the subdued economic conditions currently prevailing in the country, and which conditions are expected to continue in the near term, the Company is concentrating more on protecting its business profitability and continue to focus on strengthening its capital position in the near term.

The Company will continue its focus on three key areas of distribution – Broker Relationships, Key Account Management and Affinity / Bancassurance – to grow its business across retail, SME, commercial and large and complex risks segments. The Company will continue to refine and develop its strategy across these three key areas to pursue profitable business growth across the various business segments.

The Company recognizes the increasingly significant role of brokers in the placement of insurance risks, and has developed strong relationships with brokers in the market to drive profitable growth in Large and Complex Risks, commercial and SME segments through them. The Company plans to continue its endeavors to increase engagement with brokers through a partnership approach by offering bespoke propositions and improved service levels, with the aim of making the brokers' dealings with the Company simple, quick and consistent thereby enhancing its business through them. A special focus for securing large deals from brokers through a unified cross-functional approach has been put in place to give impetus to the Company's plans.

The Company also plans to direct its efforts towards widening its affinity partnership base by developing and implementing effective propositions and service solutions, whilst leveraging and extracting increasing value out of its current affinity relationships.

Alongside these activities the Company will continue to maintain its endeavors to effectively service and retain its key accounts.

The external market efforts are underpinned by the persistent focus of the Company to continually develop the skill sets of its people and build a lean and efficient operating environment. The Company plans to continue its efforts to enhance efficiencies across all its business operations, with a view to providing improved services to its business partners and customers, while optimizing the cost base of the Company.

**** Note: This report may contain "forward-looking statements" with respect to some of the Company's plans and its expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Company's control, including amongst other things, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Company operates. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. Neither the Board of Directors nor the Company undertakes any obligation to update any forward-looking statements, save in respect of any requirement under applicable laws or regulations. Nothing in this report should be construed as a profit forecast.*

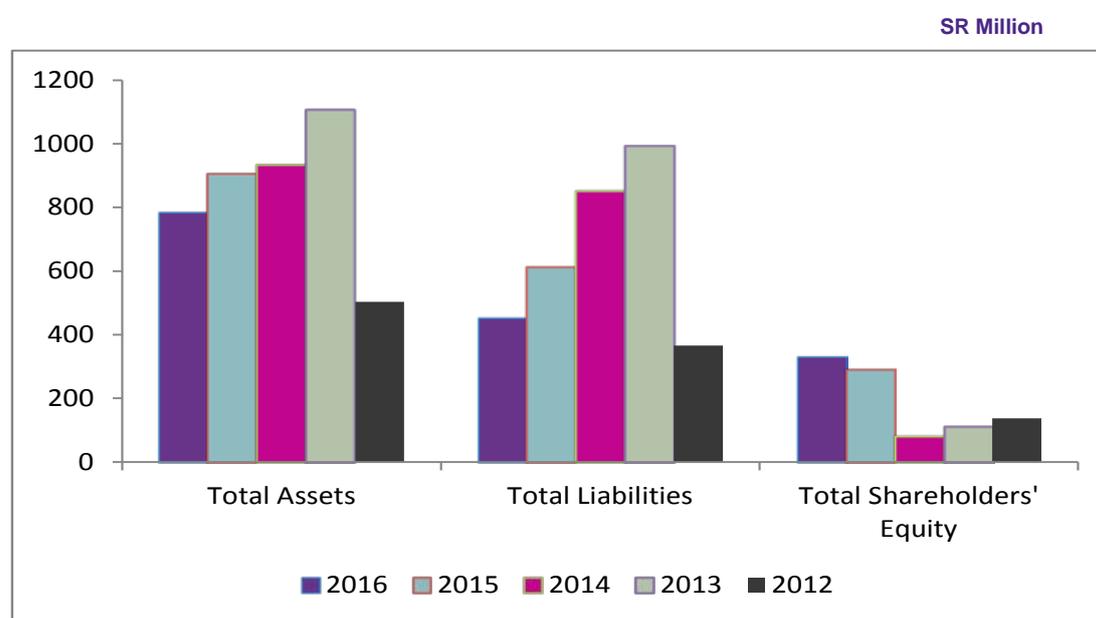
iii) Summary Statement of Business Results, Assets and Liabilities

The Company's Statement of Financial Position as at 31-12-2016 G, the Statement of Comprehensive Income for the financial year ended 31-12-2016 G and the Statement of Changes in Shareholders' Equity is shown in the tables below.

Summary Statement of Financial Position as at 31-12-2016 G

	SR Million				
	2016	2015	2014	2013	2012
Insurance Operations' Assets	411.34	541.25	759.54	931.43	329.54
Shareholders' Assets	372.62	365.76	173.75	173.41	173.67
Total Assets	783.96	907.01	933.29	1,104.84	503.21
Insurance Operations' Liabilities	411.34	541.25	759.54	931.43	329.54
Shareholders' Liabilities	41.66	73.29	90.94	60.30	36.25
Total Liabilities	453.01	614.54	850.48	991.73	365.79
Total Shareholders' Equity	330.96	292.47	82.81	113.11	137.42

Key Statement of Financial Position Indicators



Summary Statement of Comprehensive Income - Insurance Operations for the Year Ended 31-12-2016 G

	SR Million				
	2016	2015	2014	2013	2012
Gross Written Premiums	310.75	402.03	335.20	330.88	248.07
Net Written Premiums	160.60	255.30	171.74	159.72	131.33
Net Premiums Earned	207.30	234.85	160.21	155.03	120.22
Net Claims Incurred	(101.70)	(140.01)	(140.82)	(134.96)	(69.60)
Net Underwriting Surplus	100.12	91.81	27.13	31.68	57.69
General & Administrative Expenses	(57.18)	(63.66)	(55.93)	(53.98)	(53.22)
Insurance Operations' Surplus/(Deficit)	46.43	28.83	(28.26)	(21.66)	4.88
Net Surplus at end of the Period After Shareholders' Appropriation	4.64	2.88	-	-	0.49

Summary Statement of Comprehensive Income - Shareholders' Operations for the Year Ended 31-12-2016 G

	SR Million				
	2016	2015	2014	2013	2012
Shareholders' appropriation from insurance operations' Surplus/(Deficit)	41.78	25.94	(28.26)	(21.66)	4.39
Investment income	6.30	3.10	1.56	1.57	1.29
Costs and expenses	(1.73)	(1.77)	(1.41)	(1.82)	(1.92)
Net Income/(Loss)	46.35	27.28	(28.11)	(21.91)	3.76
Total Comprehensive Income/(Loss) before Zakat	46.94	26.38	(28.70)	(22.12)	4.17
Total Comprehensive Income/(Loss) after Zakat	38.49	18.80	(30.30)	(24.31)	1.10
Basic and Diluted Earning/(Loss) per share (Saudi Riyals)	1.16	0.69	(0.77)	(1.10)	0.19

Summary Statement of Changes in Shareholders' Equity

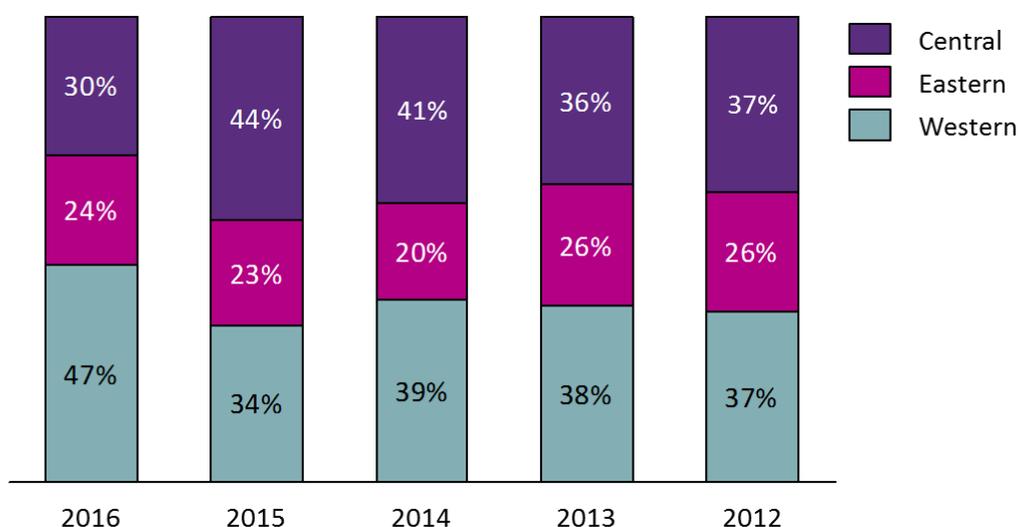
	SR Million				
	2016	2015	2014	2013	2012
Share Capital	400.00	400.00	200.00	200.00	200.00
Accumulated losses	(68.36)	(106.25)	(116.81)	(87.10)	(62.99)
Unrealized (Loss)/Gain on available for sale investments	(0.68)	(1.28)	(0.38)	0.21	0.41
Total	330.96	292.47	82.81	113.11	137.42

(iv) Geographical Analysis and Material Variations from Previous Year

a) Geographical Analysis

The Company operates solely within the Kingdom of Saudi Arabia. Geographical details of Gross Written Premiums for the various financial reporting periods for the last 5 years up to 2016 G are given below:

	SR Million				
Gross Written Premiums By Region	2016	2015	2014	2013	2012
Central	92.05	175.28	134.61	119.01	93.52
Eastern	73.94	90.91	68.54	85.61	63.93
Western	144.76	135.84	132.05	126.26	90.62
Total KSA	310.75	402.03	335.20	330.88	248.07



The Company does not have any subsidiaries in any jurisdiction.

b) Highlights of Variances in Operating Results

The information presented in the above tables cover the most recent five reporting periods. The analysis below explains the differences in the operating results of the year ended 31-12-2016 G and the prior year (i.e. year ended 31-12-2015G). As there has been no forecast provided by the company relating to the period from 01-01-2016 G to 31-12-2016, no comparison is made between actual results and forecast.

The Company's Gross Written Premiums are SR 310.75 Million in 2016 compared to SR 402.03 Million in 2015. Property portfolio witnessed growth during 2016. All other portfolios have lower premium compared to 2015. The major decrease is in motor portfolio of SR 82.20 Million which is in part due to high competition in the market given the current economic condition. The decrease in Gross Written Premiums has resulted in lower Net Written Premium which decreased by 37.1% compared to 2015.

In response to the high competition in the market, the Company took an approach of strong adherence to its underwriting, risk selection standards, and pricing policies to secure profitability. As a result, whilst the Gross Written Premiums were lower in 2016, Net Claims Incurred decreased by 27.37% from SR (140.01) Million in 2015 to SR (101.70) Million in 2016.

The Net Underwriting Surplus is higher by 9.06% from SR 91.81 Million in 2015 to SR 100.12 Million in 2016 driven by improvement in net claims incurred and lower policy acquisition cost, the overall impact of which was partially offset by the reduction in reinsurance commission income.

Policyholders' investment income increased from SR 0.45 Million in 2015 to SR 3.06 Million in 2016 due to improved returns on investment.

General and administrative expenses under Insurance Operations decreased by 10.17% from SR (63.66) Million in 2015 to SR (57.18) Million in 2016. The decrease in general and administrative expenses is attributed to efficiency measures and cost control actions taken by the Company.

The Insurance Operations' results for 2016 is a Surplus of SR 46.43 Million compared to SR 28.83 Million in 2015. The Surplus is mainly due to improved performance in property and motor classes.

Shareholders' investment income increased from SR 3.10 Million in 2015 to SR 6.30 Million in 2016 due to improved returns on investments.

The Total Comprehensive income for 2016 is SR 46.94 Million compared to SR 26.38 Million in 2015 reflecting an improvement of SR 20.56 Million in Total Comprehensive Income during 2016.

(v) Basis of Reporting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Companies Law. The basis of presentation of the financial statements and the significant accounting policies are explained in greater detail under Notes 2, 3 and 4 of the Notes to the Financial Statements.

With reference to CMA circular dated 03/04/1437H corresponding to 13/01/2016G and as per the above, the Company confirms that it is already preparing its financial statements in accordance with International Financial Reporting Standards (IFRS).

(vi) Dividend Policy

The Company intends to pay annual dividends on the Shares based on the level of required capital to support the Company's operations. However, the Company gives no assurance that any dividend will actually be paid thereafter, nor does it give any assurance as to the amount which will be paid in any given year.

In accordance with Article 43 of the By-Laws of the Company, 10% of the net surplus from Policyholders' operations shall be distributed to the Policyholders, and the balance of 90% shall be carried forward to the Shareholders' Income Statement.

From time to time, dividends will be paid to the Shareholders from the net profits subject to the following limitations contained in Article 44 of the By-Laws and Article 70 of the SAMA Implementing Regulation for the Law on Supervision of Cooperative Insurance Companies:

1. the decreed Zakat and income tax shall be set aside;
2. 20 percent of the net profits shall be allocated to form the statutory reserve. The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital;
3. the ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the General Assembly;
4. the balance shall be distributed as a first payment in the amount of at least five percent of paid-up capital to the Shareholders;
5. the remaining balance shall be distributed to the Shareholders as a share in the profits or to be transferred to the retained profits account; and
6. the Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in paragraph 4 above in accordance with the rules and regulations issued by the competent authorities.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including the Company's analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, as well as other legal and regulatory considerations.

The Company shall immediately inform the public and the Capital Market Authority (the "CMA") of any resolutions or recommendations for distribution of profit. Any profits so proposed for distribution shall be paid to the Shareholders at the place and time specified by the Board pursuant to the instructions issued by the Ministry of Commerce & Industry and subject to SAMA written approval.

(vii) Risks Facing the Company

The Company has established a risk management framework to effectively manage the various risks facing the Company. For this purpose, the company has adopted the concept of three lines of defense involving all levels in the organization in the management of the risks as follows:

1st line of defense: this involves all the business units who are directly responsible for the management of the risks the company faces. They are required to implement the necessary controls and the 1st line assurance processes (which include reporting and reviews);

2nd line of defense: this includes the control functions which are Risk Management and Compliance. Risk Management is responsible to ensure that the controls and assurances processes around all types of risks are being effectively implemented by the 1st line of defense. This is done through specific reporting on the various types of risks. Compliance function is responsible for the management and oversight of the regulatory and reputational risks through the development of a dedicated annual strategy and program for the purpose. The compliance function is fully independent from the management and reports to the Audit Committee of the company.

3rd line of defense: this line is managed by the Internal Audit Department which provides independent assurance over the effectiveness of the control system to the Audit Committee of the company.

The company has also set up a Risk Committee reporting to the Board of Directors and chaired by a non-executive Board Member. The Committee is responsible for the oversight of all the risk management arrangements of the company. All risks faced by the company are discussed within this forum and actions are defined and agreed on how to mitigate those.

The 2nd line and 3rd line of defense present their reports to the Audit Committee on a quarterly basis.

The company has also developed:

- 1- A Risk Appetite approved by the Board of Directors which sets risk indicators and limits against all the risks and compliance with this is reported on a quarterly basis to the Risk and Audit Committees.
- 2- A set of policies to be implemented across the business and meant to manage the risks throughout the organization.
- 3- A delegated authorities framework which aims to clearly define the financial, operational and technical approval processes and limits.

The risks faced by the Company can be categorized as follows:

a) Financial risk:

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, cash and cash equivalents, deposits with banks and investments in bonds and Sukuks. The Company does not enter into derivative transactions.

1. Credit risk: The Company seeks to limit credit risk with respective counter parties (i.e. customers, intermediaries and reinsurers) through a structured credit policy which defines the parameters for setting counter party credit limits as well as for the selection of reinsurance counter parties.
2. Liquidity risk: Liquidity requirements are monitored on a regular basis and action taken to ensure that sufficient liquid funds are available to meet current and future commitments as and when they arise.
3. Market price risk: The Company limits market price risk through a conservative investment policy.
4. Investment rate risk: The Company limits investment rate risk by monitoring changes in investment rates in which its cash and investments are denominated.
5. Foreign currency risk: The Company does not have any significant foreign currency risk due to the limited transactions in foreign currencies.

b) Strategic risk:

Strategic risk is actively managed through a structured process of setting and reviewing the strategic direction of the Company, based on a careful study of the macroeconomic environment, developments in the insurance market, competitor analysis and the Company's own evaluation of its risk appetite. The Company also benefits from inputs on global perspectives that it receives from RSA Group.

c) Operational risk:

Significant resources are devoted to maintaining an efficient and effective operating environment through deployment of modern technology and a policy framework that addresses areas such as corporate responsibility, business ethics, and code of conduct. The Company's Executive Team actively oversees aggregate operational risk exposure and presents reports to the Audit Committee and the Board.

d) Regulatory risk:

The Company has appointed a Compliance Officer with an appropriate level of independence, reporting into the Audit Committee. A comprehensive framework has been put in place to manage regulatory risks and to ensure compliance with applicable regulatory requirements and to track and monitor regulatory changes and enable the Company to remain compliant with regulatory changes as well as the necessary transparency in the related reporting to the Board of Directors.

e) Insurance risk:

The Company's portfolio of business is 'short tail' in nature. The Company adopts a policy of pricing its risks based on technical factors and also coordinates with the RSA Group on technical aspects as and when it deems required. It also undertakes a periodic review of all of its key portfolios under the different lines of business to assess their performance and take corrective action where required. The Company also has a clearly stated risk appetite and closely monitors its aggregate risk exposures. It has put in place appropriate reinsurance arrangements to manage the potential impact of large claims and catastrophe.

f) Reputational risk:

The company has put in place measures to proactively manage the reputational risk with key focus on serving customers and brokers well.

B. SHARES, CONTRACTUALLY BASED SECURITIES, SUBSCRIPTION RIGHTS, DEBT INSTRUMENTS

i) Interest in a class of voting Shares held by persons (other than Issuer's Directors, Senior Executives and their spouses and minor children)

There is no individual person who has more than 5% interest in a class of voting Shares of the Company.

The significant (non-individual) shareholders and their ownership in the Company are as follows

Royal & Sun Alliance Insurance (Middle East) BSC (c)	50.07%
Riyad Bank	19.92%

ii) Interest, contractually based securities and subscription rights of the Company's Directors, Senior Executives and their spouses and minor children in the shares or debt instruments of the Company or any of its Subsidiaries.

Name of Beneficiary	Beginning of the Year		End of the year		Net Change		Change Percentage	
	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments	Shares	Debt Instruments	Shares	Debt Instruments
Ali Husein Alireza	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Dr. Mohammed Al-Blehed	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Khaled Al Hamdan	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Adel Al-Sheikh #	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Ossama Bukhari	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Sean William Lowther #	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Khalid Allagany	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Christopher Dooley	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Lloyd East	1,000	Nil	1,000	Nil	Nil	Nil	Nil	Nil
Khalid Hariry *	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Matthew Hotson *	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Matthew Hotson was appointed to the Board on 04-12-2016G.

Khalid Hariry was appointed to the Board on 15-12-2016 G.

Sean Lowther and Adel Al-Sheikh resigned from the Board during the year with effect from 03-05-2016G and 15-12-2016G Respectively.

The above Shares have been allotted to the Directors in line with the By-Laws of the Company, which require that members of the Board shall own Shares of the face value of SR. 10,000, which are non-negotiable. Upon resignation, retirement or termination of any of the above Director(s), the Shares held as above will be transferred to the new Director(s) who is/are appointed in replacement of the Director(s) exiting the Board.

None of the spouses or minor children of the Members of the Board of Directors have any interest in the shares of the company. Also, none of the Senior Executives, their spouses or minor children have any interest in the Shares of the Company.

The Company does not have any debt instruments or contractually based securities that it has issued, nor does the Company have any subsidiaries operating inside or outside the Kingdom of Saudi Arabia.

iii) Borrowings, Issue / Redemption of Securities

The Company has neither borrowed any funds nor has it issued any convertible or redeemable debt instruments, contractually based securities, warrants or any other rights of a similar nature. It has also not made any repayment of any loan or redeemed or converted any redeemable or convertible debt instruments during the period and does not have any outstanding loans or redeemable or convertible debt instruments or contractually based securities or warrants or any other rights of a similar nature as at the end of the period.

C. RELATED PARTY TRANSACTIONS

Transactions with the RSA Group

- Intellectual Property Agreement

The intellectual property agreement has been signed with RSA Group and been renewed on 11/03/2014G. The duration of the agreement is not defined and is dependent on the shareholding of RSA Group in Al Alamiya through Royal & Sun Alliance Middle East. During the period from 01-01-2016G to 31-12-2016G the Company had incurred a total charge of SR 30,100 in its Statement of Shareholders' Comprehensive Income towards branding fees payable to RSA Insurance Group plc.

- Reinsurance Agreements

The Company made reinsurance arrangements on market terms with RSA Insurance Group plc., through the signature of reinsurance treaties which started on 01-01-2016 G ending 31-12-2016 G. Based on these reinsurance contracts, the company has ceded SR 32.09 representing Reinsurance premiums and earned Reinsurance commission income of SR 9.13 m.

- Technical Services Agreement

The Company has entered into a Technical Services Agreement with the RSA Insurance Group Plc which has been approved by SAMA and renewed on 21/09/2014G for a period of five years. Through this agreement, RSA Insurance Group Plc provides technical services to the company. During the period from 01-01-2016 to 31-12-2016G, the company incurred a charge of 4.75m in its Statement of Insurance Operations for technical services received in various areas of the business under the above mentioned Technical Services agreement.

RSA Insurance Group plc is a related party to Al Alamiya through one of its major shareholders, Royal & Sun Alliance Insurance (Middle East) B.S.C (c) and the following members on the Board represent Royal & Sun Alliance Insurance (Middle East) B.S.C (c) on the Board of Directors of the company:

- Matthew Hotson
- Lloyd East
- Christopher Dooley
- Khalid Allagany

Transactions with Riyadh Bank and its Subsidiaries

Transactions with Riyadh Bank

- Insurance contracts

During the period 01-01-2016 to 31-12-2016 G the Company entered into annual Insurance Contracts on market terms with, one of its shareholders, Riyadh Bank (Property and Group Life as part of the Housing Loan program of the bank) and adjustment on policies issued during 2015 as part of insurance of the motor leasing program and Bankers Blanket Bank insurance with a total amount of SR 19.53 Million representing Gross Written Premiums, details of which are as follows:

Description of Contract	Line of Business	Date of Contract	Gross Written Premiums
Insurance	Property	A number of insurance policies issued from 01-01-2016 to 30-04-2016G as per insurance policy renewed on 01/05/2015G for a period of one year and expired on 30-04-2016G.	2,991,697
Insurance	General Accident (Group Life)	A number of insurance policies issued from 01-01-2016 to 30-04-2016G as per insurance policy renewed on 01/05/2015 for a period of one year and expired on 30-04-2016G.	10,875,177
Insurance	General Accident (Bankers Blanket Bond)	Annual Policy renewed on 07-07-2016 for a period of one year.	4,256,027
Insurance	Motor	Adjustment to insurance policies issued during 2015 relating to as part of the insurance agreement signed with Riyadh Bank on 01/01/2015G ended on 31/12/2015G	1,411,428
Total			19,534,329

SR

Transactions with the subsidiaries of Riyad Bank

– Insurance contracts through Riyad Company for Insurance Agency

The Company has entered into an agency agreement with Riyad Company for Insurance Agency (a subsidiary of Riyad Bank) on 29/07/2013G to market and sell the company's insurance products. A total gross written premium of SR 0.91 Million has been realized through this channel during the period 01-01-2016 to 23-04-2016G (this date represents the expiry of the Riyad Company for Insurance Agency SAMA license) and SR 0.09 Million of commissions has been earned by the Agency, as follows:

SR

Description of Contract	Line of Business	Date of Contract	Customer	Gross Written Premiums	Commission Earned by Agency
Insurance	Marine	The agency contract has been signed on 29-07-2013G. A number of insurance policies issued from 01-01-2016G to 23-04-2016 G	Customers of Riyad Company for Insurance Agency	910,410	98,040

Riyad Bank is one of the main shareholders in the Company holding 19.92% of the shares in the Company. The following members on the Board represent Riyad bank:

- Khalid Hariry
- Ossama Bukhari

Transactions with Board Members and Top Executives

– Insurance contracts

During the reporting period the Company entered into Insurance Contracts at arm's length and on market terms directly or with business establishments having direct interest of the Company's Board of Directors, the CEO and CFO, the details of which are below:

SR

Name	Position	Name of Establishment	Line of Business	Period From / To	Gross Written Premiums for the period
Dr. Mohammed Al-Blehed	Director	Seder Group	Property	01-November-2016 to 31-October-2017	151,938
Khalid Allagany	Managing Director and CEO	N/A	Motor	20- November-2016 to 19-November-2017	6,022
Ossama Bukhari	Director	N/A	Motor	27-August-2016 to 26-August-2017	21,863
Fadi Aboul Hosn	Chief Financial Officer	N/A	Motor	06-May-2016 to 05-May-2017	1,781

Besides the above there were no transactions or contracts entered into by the Company pertaining to its operations and activities related thereto, in which Directors or the Chief Executive Officer, Chief Financial Officer or any associate had a material interest.

D. OUTSTANDING STATUTORY DUES AND PAYMENTS MADE TO GOVERNMENT AUTHORITIES

i) The Company does not have any outstanding statutory dues as on 31-12-2016 G, except for the following:

SR

Description	31-12-2016	31-12-2015
GOSI for the month of December 2016 *	205,494	185,983
SAMA Supervision Fees payable for Q4 2016 **	436,893	445,156
CCHI Supervision Fees payable **	7,140	55,227
Department of Zakat & Income Tax – Towards withholding tax ***	41,913	572,202
Zakat & Income Tax (Provision)****	8,453,270	7,574,890
Total	9,144,710	8,833,458

* GOSI payable is part of the other accrued expenses in Note 14 to the financial statements

** SAMA and CCHI supervision fees are part of Accrued supervision fees in Note 14 of the financial statements. CCHI supervision fees payable for 2016 relates to Q4 2016 only whereas 2015 balance is for full year. This is due to changes in CCHI procedures during 2016 where the settlement of Levy is required on quarter basis compare to yearly for prior years.

***Withholding tax payable is included in the Accrued Withholding Tax amount in Note 14 to the financial statements. In addition to this balance there are other withholding tax provisions which are not yet due for payment and have been accrued in the financial statements.

**** Zakat & Income Tax provision is shown above for the years 2016 and 2015 standalone liability recorded in the financial statements of the Company (Please refer to note 16(d) to the financial statements). The total provision in respect of Zakat and Income tax is for a total amount of SR 25,516,159 at the end of 2016 and SR 17,062,889 at the end of 2015 (Please refer to note 16(d) to the financial statements)

ii) Statement of Payments made to Government Authorities during the period from 01-01-2016 to 31-12-2016 G

SR

	2016	2015
Department of Zakat & Income Tax	1,529,972	3,318,201
GOSI	2,066,900	2,311,280
Ministry of Interior, Labour Office, Chamber of Commerce, Municipality, SAGIA	133,961	161,642
SAMA Supervision Fees quarterly payments	1,556,411	1,997,129
CMA payments - Fines	40,000	20,000
CCHI License Renewal payments	150,000	50,000
CCHI Supervision Fees payments*	71,656	79,089
Total	5,548,900	7,937,341

*CCHI Supervision fees paid during 2016 includes 2015 yearly payment and quarterly payments for Q1-Q3 2016, due to changes in CCHI procedures where from 2016 settlement of Levy is required on quarterly basis.

E. EMPLOYEE BENEFITS

The Company did not make any investments or set up any reserves for the benefit of the employees other than those required for payment of performance bonus and end of service benefits in the normal course of business.

F. STATEMENTS

- i) The Company has maintained proper books of accounts.
- ii) The system of internal control is sound in design and has been effectively implemented.
- iii) There are no significant doubts concerning the ability of the Company to continue as a going concern.

G. EXTERNAL AUDITORS' REPORT

The external auditors have issued an unqualified opinion and their report did not contain any reservation on the financial statements. In their audit report they are stating that, in their opinion, the financial statements taken as a whole:

- Present fairly, in all material aspects, the financial position of the Company as at 31-12-2016 G and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards; and
- Comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

In addition, the external auditors have also drawn attention to the fact that the financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

H. CONTINUATION OF EXTERNAL AUDITORS

The Board of Directors has not recommended that the external auditors should be changed before their current term elapses.

The Board shall consider the appointment of external auditors for 2017 and make recommendations to the Shareholders for consideration at the Annual General Assembly Meeting.

I. CORPORATE GOVERNANCE

i) Compliance with Rules and Regulations

a. Compliance with the Corporate Governance Regulations Issued by the CMA

The Company has implemented all the provisions of the Corporate Governance Regulations issued by the CMA with the exception of the following:

Facilitation of Shareholders Exercise of Rights and Access to Information [Article # 4 (b)]

The company provides the necessary information to the shareholders to exercise their rights fully through the annual reports, the local newspapers and Tadawul website in a timely way. The Company is in the process of making enhancements to its website to be able to provide information to Shareholders through this channel.

Invitation for the General Assembly meeting to be published on the Company's website [Article # 5 (c)]:

The invitation to the General Assembly meetings (ordinary and extra ordinary) held in 2016 was published in the local newspapers as well as on the Tadawul website but was not published in the company's website which is currently undergoing enhancements.

Voting Rights - Disclosure of Voting Policies in Annual report by Investors who are Judicial Persons [Article # 6 (d)]

This requirement is not applicable to the Company as it does not hold investments on behalf of others

Formation of the Board- Limitation of Rights of Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors [Article # 12 (i)]

The above article does not apply to the Company as the Bylaws do not specify any judicial person entitled to appoint representatives to the Board of Directors.

b. Compliance with the Corporate Governance Regulations Issued by SAMA

In 2015 SAMA issued the Corporate Governance Regulations for Insurance and/ or Reinsurance Companies. The Company carried out an assessment of compliance against these new regulations and took the necessary steps to achieve compliance with the regulations which amongst other included the review and update of its Governance Manual, the reconstitution of its Audit Committee and changes to the memberships of other Board committees.

c. Compliance with the New Companies Law Issued by the Ministry of Commerce and Industry

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its bylaws and make necessary changes to align the Articles to the provisions of The Law. Consequently, the Company has already initiated this process based on the new bylaws template shared by SAMA. The amended bylaws will be subject to SAMA approval before submitting them to the shareholders in an Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017)

ii) Board of Directors

Composition of the Board of Directors

The Company's By-Laws provide that the Company shall be managed by a Board of Directors consisting of nine (9) members appointed by the ordinary General Assembly for a term not exceeding three years.

During the period from 01-01-2016G up to 31-12-2016 G the following changes took place:

- Resignation of Sean William Lowther on 03-05-2016G
- Appointment of Matthew Hotson on 04-12-2016G
- Resignation of Adel Al Sheikh on 15-12-2016G
- Appointment of Khalid Hariry on 15-12-2016G

The position of membership of the Board, following the above change is as follows:

	Name of Director	Position	Classification
1.	Ali Husein Alireza	Chairman	Independent Director
2.	Dr. Mohammed Al-Blehed	Director	Independent Director
3.	Khaled Al Hamdan	Director	Independent Director
4.	Khalid Hariry *	Director	Non-Executive Director, Riyad Bank Nominee
5.	Ossama Bukhari	Director	Non-Executive Director, Riyad Bank Nominee
6.	Matthew Hotson *	Director	Non-Executive Director, RSA Nominee **
7.	Christopher Dooley	Director	Non Executive Director , RSA nominee **
8	Lloyd East	Director	Non Executive Director , RSA nominee **
9.	Khalid Allagany	Managing Director	Executive Director, RSA Nominee **
10.	Sean William Lowther #	Director	Non Executive Director , RSA nominee **
11.	Adel Al Sheikh #	Director	Non-Executive Director, Riyad Bank Nominee

* Matthew Hotson was appointed to the Board on 04-12-2016 G and Khalid Hariry was appointed to the Board on 15-12-2016 G

** RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C (c)

Sean William Lowther resigned from the board on 03-05-2016G and Adel Al Sheikh resigned from the Board on 15-12-2016G

All the above changes have been notified to the regulators as required under regulation

Name(s) of Joint Stock Company(s) in which Members of the Company's Board of Directors act as a Member of the Board of Directors.

	Name of Director	Board positions held in other Joint Stock Company(s)	Position	Entity Type
	Ali Husein Alireza	Samba Financial Group	Board member	Saudi Listed Joint Stock Company
		Arabian Petroleum Supply Company (APSCO)	Board member	Closed Joint Stock Company
	Ossama Bukhari	Ajil Financial Services Company	Vice Chairman	Closed Joint Stock Company

Functions

The Board is responsible for the direction and oversight of the Company on behalf of the Shareholders and is accountable to them for all aspects of the Company's business. It is the Board's responsibility to adopt strategic plans, monitor operational performance, ensure that an effective risk management strategy is in place and all applicable legislation and regulation is complied with. The Board operates the following Board Committees to assist in discharging its duties:

- the Executive Committee;
- the Investment Committee;
- the Disclosure Committee;
- the Audit Committee;
- the Risk Committee and
- the Nomination & Remuneration Committee.

The Company is committed to implementing a sound corporate governance framework through which the objectives of the Company are set and the means of attaining these objectives and monitoring performance is determined. To achieve this, the Company operates within a set of corporate governance principles which, together with the roles and responsibilities of the Board are set out in the form of a Board Governance Manual.

Chairman and Managing Director

The division of responsibilities between the Chairman and the Managing Director are clearly defined by the Board and are in compliance with applicable laws and regulations in the Kingdom of Saudi Arabia. The Chairman has no involvement in the day-to-day management of the Company or its business, whereas the Managing Director has direct responsibility for the management of the Company.

Meetings

During the financial year 2016 the Board of Directors held 4 meetings. The attendance at these meetings has been as follows:

	Date of Meeting				Remarks
	16-03-2016G	01-06-2016G	26-09-2016G	04-12-2016G	
Ali Hussein Alireza	Y	Y	Y	Y	
Dr. Mohammed Al-Blehed	Y	Y	Y	Y	
Khaled Al Hamdan	Y	Y	Y	Y	
Adel Al-Sheikh #	Y	Y	Y	Y	Resigned from the Board with effect from 15-12-2016G
Osama Bukhari	Y	N	Y	Y	Represented by Adel Al-Sheikh as proxy at meeting held on 01-06-2016G
Sean William Lowther #	Y	NA	NA	NA	Resigned from the Board with effect from 03-05-2016G
Christopher Dooley	Y	Y	Y	Y	
Khalid Allagany	Y	Y	Y	Y	
Lloyd East	Y	Y	Y	Y	
Khalid Hariry *	NA	NA	NA	NA	Was appointed at the board on 15-12-2016G with effect from 18-12-2016
Matthew Hotson *	NA	NA	NA	Y	Was appointed at the board meeting held on 04-12-2016G and was in attendance as observer

Y – Attended in person

N – Did not attend

NA – Had either resigned or was not appointed at that time.

* Appointed during the period

Resigned during the period

Since the inception of the Company, the Board has also put in place a process of holding telephone conference meetings, for management to present to the board members the Interim and annual financial statements for approval, in accordance with the regulatory time lines as well as the approval of the Board of Directors Report. During the year 2016, five such telephone conference meetings were held as follows;

	Date of Meeting					Remarks
	17-01-16G	18-02-16G	17-04-16G	25-07-16G	16-10-16G	
Ali Hussein Alireza	Y	Y	Y	Y	Y	
Dr. Mohammed Al-Blehed	Y	Y	Y	Y	Y	
Khaled Al Hamdan	N	Y	N	Y	Y	
Adel Al-Sheikh	Y	N	Y	Y	Y	

Osama Bukhari	Y	N	Y	N	Y	Represented by Adel Al-Sheikh as proxy at meeting on 25-07-2016G
Sean William Lowther	N	Y	N	NA	NA	Resigned with effect from 03-05-2016G
Christopher Dooley	Y	Y	Y	N	Y	Represented by Lloyd East as proxy at meeting on 25-07-2016G
Khalid Allagany	Y	Y	Y	Y	Y	
Lloyd East	Y	N	Y	Y	N	Represented by Christopher Dooley as proxy at meeting on 18-02-2016G and 16-10-2016G
Khalid Hariry *	NA	NA	NA	NA	NA	Was appointed at the board on 15-12-2016G with effect from 18-12-2016
Matthew Hotson *	NA	NA	NA	NA	NA	Was appointed at the board meeting held on 04-12-2016G

Y – Attended in person

N – Did not attend

NA – Had either resigned or was not appointed at that time.

* Appointed during the period

iii) Board Committees:

Executive Committee:

a. Composition

The Executive Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief Executive Officer	Chairman
Fadi Aboul Hosn	Chief Financial Officer	Member
Ahmed Khalifa	Technical Director	Member
SR Shashidhar	Strategy & Change Director	Member

b. Functions

The purpose of the committee is to assist the Chief Executive Officer in the performance of his duties, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- monitoring competitive forces in each area of operation.

c. Meetings

The Committee met on a regular basis and held six meetings during the period from 01-01-2016 up to 31-12-2016 G. The dates of the meetings and the attendance were as follows

	Date of Meeting						Remarks
	07-02-2016G	06-03-2016G	22-05-2016G	14-08-2016G	02-10-2016G	27-11-2016G	
Khalid Allagany	Y	Y	Y	Y	Y	Y	
Fadi Aboul Hosn	Y	Y	Y	Y	Y	Y	
Ahmed Khalifa	Y	N	Y	Y	Y	Y	
SR Shashidhar	Y	Y	Y	Y	Y	Y	

Y – Attended in person

N – Did not attend

NA – Had either resigned or was not appointed at that time

Investment Committee:

a. Composition

The Investment Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Ali Husein Alireza	Chairman of the Board	Chairman- Was appointed to the Committee on 16-03-2016G
Khalid Allagany	Managing Director and Chief Executive Officer	Member

Khalid Hariry	Non Executive Director, Riyad Bank Representative	Member -Was appointed to the Committee on 15-12-2016G with effect from 18-12-2016G
Adel Al Sheikh	Non Executive Director, Riyad Bank Representative	Resigned from the Committee on 15-12-2016G
Fadi Aboul Hosn	Chief Financial Officer	Was replaced by Ali Husein Alireza on 16-03-2016G

b. Functions

The purpose of the committee is to manage all aspects of the investment assets held by the Company subject to adherence to the terms of the Investment Directives and the Committee Dealing Limits and in line with the applicable laws of the Kingdom of Saudi Arabia.

c. Meetings

The Committee held four meetings during the period from 01-01-2016 up to 31-12-2016 G. The dates of the meetings and the attendance were as follows

	Date of Meeting				Remarks
	14-03-2016G	01-06-2016G	25-09-2016G	23-11-2016G	
Ali Husein Alireza	NA	Y	Y	Y	Was appointed to the Committee on 16-03-2016G
Khalid Allagany	Y	Y	Y	N	
Khalid Hariry	NA	NA	NA	NA	Was appointed to the Committee on 15-12-2016G with effect from 18-12-2016G
Adel Al Sheikh	Y	Y	Y	Y	Resigned from the Committee on 15-12-2016G
Fadi Aboul Hosn	Y	NA	NA	NA	Was replaced by Ali Husein Alireza on 16-03-2016G

Y – Attended in person

N – Did not attend

NA – Had either resigned or was not appointed at that time

Disclosure Committee:

a. Composition

The Disclosure Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee is as follows:

Name Designation	Designation	Role in Committee
Khalid Allagany	Managing Director and Chief Executive Officer	Chairman
Christopher Dooley	Non Executive Director, RSA Representative*	Member- Appointed on 04-12-2016G
Fadi Aboul Hosn	Chief Financial Officer	Member
Sean William Lowther	Non Executive Director, RSA Representative*	Resigned from the Committee on 03-05-2016G

* RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C (c).

b. Functions

The purpose of the committee is to ensure the Company's compliance with all legal and regulatory requirements relating to announcements, notifications, submissions, filings and approvals arising from its listing on the Tadawul. In line with its Terms of Reference, the committee can hold meetings through electronic means.

c. Meetings

The committee held meetings through electronic means to review and approve the company's announcements on Tadawul website. The committee held twenty nine of these meetings during the period from 01-01-2016 up to 31-12-2016 G.

All Committee members participated in all these meetings through electronic means in line with its terms of reference.

Audit Committee:

a. Composition

The Audit Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the committee was duly approved by the shareholders at an Ordinary General Assembly Meeting held on 19-12-2016G and is as follows:

Name Designation	Designation	Role in Committee
Abdulaziz Al Habib	Independent Member on the Committee	Chairman
Riyad Al Dughaiter	Independent Member on the Committee	Member
Ayman Al Ghamdi	Independent Member on the Committee	member
Sean William Lowther	Non Executive Director, RSA Representative*	Chairman – Resigned on 03-05-2016G
Mohammed Quresha	Executive Vice President, Finance, Finance Division, Riyad Bank	Member- Resigned on 11-05-2016G

*RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C (c).

b. Functions

The purpose of the Committee is to review the risk management and compliance functions and assess the Company's processes relating to its risk, compliance and internal control systems. Furthermore, the Committee will review of the Company's financial statements and the effectiveness of the external audit process and internal audit functions.

c. Meetings

The Committee held a total of nine meetings during the period from 01-01-2016 up to 31-12-2016G. The dates of the meetings and the attendance were as follows;

Physical (Face to Face) Meetings

	Date of Meeting				Remarks
	16-03-2016G	31-05-2016G	28-09-2016G	04-12-2016G	
Sean William Lowther	Y	NA	NA	NA	Resigned on 03-05-2016G
Mohammed Quresha	Y	NA	NA	NA	Resigned on 11-05-2016G
Abdulaziz Al Habib	NA	Y	Y	Y	Appointed on 04-05-2016G
Riyad Al Dughaiter	NA	Y	Y	Y	Appointed on 11-05-2016G
Ayman Al Ghamdi	NA	Y	Y	Y	Appointed on 04-05-2016G

Y – Attended in person

N – Did not attend

NA – Had either resigned or was not appointed at that time

Telephone Meetings

Since inception the Audit Committee has also put in place a process of holding telephone meetings, for management to present to the Committee members the interim and annual financial statements, in accordance with the regulatory time lines. The Audit Committee reviews the interim and annual financial statements during these meetings and recommends the same to the Board of Directors for approval. The Company's external and internal auditors also participate in these telephone meetings providing responses to any queries that the members may raise. During the year 2016, five such telephone meetings were held as follows:

	Date of Meeting					Remarks
	14-01-2016G	17-02-2016G	14-04-2016G	24-07-2016G	13-10-2016G	
Sean William Lowther	Y	Y	Y	NA	NA	See above table
Mohammed Quresha	Y	Y	Y	NA	NA	See above table
Abdulaziz Al Habib	NA	NA	NA	Y	Y	See above table
Riyad Al Dughaiter	NA	NA	NA	Y	Y	See above table
Ayman Alghamdi	NA	NA	NA	Y	Y	See above table

Y – Attended

N – Did not attend

NA – Had either resigned or was not appointed at that time

Risk Committee:

a. Composition

The Risk Committee shall comprise of the at least seven (7) members and not more than eleven (11) members headed by a non-executive member

The current members are as follows

Name	Designation	Role in Committee
Chris Dooley	Non Executive Director, RSA Representative*	Chairman –Appointed to the Committee on 16-03-2016G
Khalid Allagany	Managing Director and Chief Executive Officer	Member
Fadi About Hosn	Chief Financial Officer	Member
Mohamed Rochdi Yahiaoui	Head of Regulatory Compliance	Member
Ahmed Khalifa	Technical Director	Member
Waleed Al Masri	Human Resources Director	Member -Appointed on 10-11-2016G
Riyad Al Dakheel	I T & Operations Director	Member -Appointed on 10-11-2016G
Stefan Schrey	Claims Director	Member-Resigned on 30-11-2016G
Mirza Ansar Baig	I T & Operations Director	Member- Resigned on 03-11-2016G
Mohammad Al Fardous	Human Resources Director	Member- Resigned on 24-08-2016G

b. Function

The Committee has the responsibility to oversee the Company's risk management arrangements ensuring the risk appetite is appropriate and adhered to and that key risks are identified and managed.

c. Meetings

The Committee held four meetings during the period from 01-01-2016 up to 31-12-2016G. The dates of the meetings and the attendance were as follows;

	Date of Meeting				Remarks
	11-02-2016	18-05-2016	24-08-2016	08-12-2016	
Chris Dooley	NA	Y	Y	Y	Appointed to the Committee on 16-03-2016G
Khalid Allagany	Y	Y	N	N	
Fadi Aboul Hosn	Y	Y	Y	Y	
Mohamed Rochdi Yahiaoui	Y	Y	Y	Y	
Ahmed Khalifa	Y	N	Y	Y	
Waleed Al Masri	NA	NA	NA	Y	Appointed to the Committee on 10-11-2016G
Riyad Al Dakheel	NA	NA	NA	Y	Appointed to the Committee on 10-11-2016G
Stefan Schrey	Y	Y	Y	NA	Resigned on 30-11-2016G
Mirza Ansar Baig	N	Y	Y	NA	Resigned on 03-11-2016G
Mohammed Al Fardous	Y	N	N	NA	Resigned on 24-08-2016G

Y – Attended

N – Did not attend

NA – Had either resigned or was not appointed at that time

Nomination and Remuneration Committee:

a. Composition

The Nomination and Remuneration Committee shall comprise of a minimum of three and a maximum of five members. The current composition of the Committee is as follows:

Name Designation	Designation	Role in Committee
Lloyd East	Non Executive Director, RSA Representative *	Chairman
Dr. Mohammed Al-Blehed	Independent Director	Member
Khalid Hariry	Non Executive Director, Riyad Bank Representative	Member- Appointed on 15-12-2016G with effect from 18-12-2016G
Khalid Al Hamdan	Independent Director	Member- Appointed on 16-03-2016G
Adel Al Sheikh	Non Executive Director, Riyad Bank Representative	Member- Resigned on 15-12-2016G

*RSA means Royal & Sun Alliance Insurance (Middle East) B.S.C (c)

b. Functions

The purpose of the committee is to ensure transparency in the procedures for the selection, appointment and removal of Directors. All appointments and removals are to be ratified by the General Assembly. The committee will also be responsible for establishing policies regarding the indemnity and remuneration of Directors and Senior Managers.

c. Meetings

The committee held four meetings during the period from 01-01-2015 up to 31-12-2015 G. The dates of the meetings and the attendance were as follows;

	Date of Meeting				Remarks
	16-03-2016G	01-06-2016G	26-09-2016G	04-12-2016G	
Lloyd East	Y	Y	Y	Y	
Dr. Mohammed Al-Blehed	Y	Y	Y	Y	
Adel Al-Sheikh	Y	Y	Y	Y	Resigned with effect from 15-12-2016G
Khalid Al Hamdan	NA	Y	Y	Y	Appointed to the Committee on 16-03-2016G
Khalid Hariri	NA	NA	NA	NA	Appointed to the Committee on 15-12-2016G

Y – Attended
 N – Did not attend
 NA – Had either resigned or was not appointed at that time

iv) Compensation paid to Board members, Audit Committee Members and Senior Executives

a. Board Members

The remuneration payable to the Chairman and the Directors of the Company, including the fees for attendance at Board and Committee meetings, is defined in the By-Laws of the Company. Accruals have been made in the Financial Statements in accordance with these provisions, after considering the waiver by the non-independent members of the Board of their rights to remuneration as explained below.

The details of remuneration payable to the Chairman and the Independent Directors for the period from 01-01-2016 up to 31-12-2016G for which provisions has been made in the financial statements are as follows:

SR

Board Members	2016			2015
	Annual Remuneration	Board Meetings Attendance	Board Committees Attendance	Total SR.
Ali Husein Alireza (Chairman)	180,000	12,000	4,500	196,500
Dr. Mohammed Al-Blehed (Director)	120,000	12,000	6,000	138,000
Khalid Al Hamdan (Director)	120,000	12,000	4,500	136,500

The Non-Independent Directors on the Board (i.e. the nominees of Riyad Bank and Royal & Sun Alliance Insurance (Middle East) B.S.C(c) have waived their rights to remuneration and fees for the attendance of Board and Committee meetings.

b. Audit Committee Members

Independent members on the Company's Audit Committee are paid an annual remuneration of Saudi Riyals SR 120,000 per annum and attendance fees of SR 1,500 per meeting. In the event that they are required to attend any of the Board meetings they are eligible to the Board Meeting attendance fees of Saudi Riyals 3,000 per meeting, for such attendance.

Audit Committee Members	2016			2015
	Annual Remuneration	Board Meetings Attendance	Audit Committees Attendance	Total SR.
Abdulaziz Al Habib (Chairman)	70,000*	3,000	7,500	80,500
Riyad AL Dughaiter (Member)	70,000*	Nil	7,500	77,500
Ayman Al Ghamdi (Member)	70,000*	Nil	7,500	77,500

*Pro-rata for the year from 01-06-2016 to 31-12-2016G

Apart from the above amount paid to the Independent Board Members for Board Committee attendance and the remuneration paid to the Audit Committee members no other remuneration was paid to any of the other members of any of the Committees.

c. Senior Executives

Compensation and remuneration paid to the top five executives (including the Chief Executive Officer and the Chief Financial Officer who are within the top five) during the period was SR 7,245,509 as follows:

Particulars of Compensation		2016	2015
i)	Salaries and Compensation	4,113,051	3,926,754
ii)	Allowances	1,154,265	1,118,505
iii)	Periodical and annual bonuses	1,279,893	704,344
iv)	Other compensation or benefits paid on a monthly or annual basis	698,300	495,008
	Total	7,245,509	6,244,611

v) Confirmation

During the period of the report, the Company paid two penalties of SR 20,000 each i.e. a total of SR 40,000 to the CMA for its failure to inform the CMA about the changes in the Audit Committee on 30/09/2014 G and failure to have 3 members independent from the management in the Audit Committee. Apart from this the Company has not been exposed to any punishment or penalty or preventive restriction imposed by the CMA, SAMA or any other supervisory or regulatory or judiciary body.

vi) Results of the Annual Review of the Internal Control Systems of the Company

The Board of Directors have formed an Audit Committee and a Risk Committee to support the Board in the discharge of its responsibilities in respect of supervising the Company's financial reporting processes, evaluating the adequacy and effectiveness of the Company's audit

arrangements, overseeing the Company's risk management activities and ensuring that the risk appetite is appropriate and that key risks are identified and managed.

The Audit Committee has conducted an overall review of the internal and external auditors' assessment of the Company's system of internal controls during 2016 as well as the scope and quality of management's ongoing monitoring of risks and no significant issues were identified. The Committee has further recommended to the Board to carry out an independent review of the internal control system in 2017.

The internal and external auditors and the Company's Compliance function have conducted a number of reviews during 2016, which provide a reasonable degree of assurance on the Company's ability to meet its strategic objectives. The results of these reviews have been considered by the Audit Committee in reviewing the effectiveness of the internal control systems of the company. The Committee has also gained a reasonable degree of satisfaction with respect to the actions taken by the management to address the observations and recommendations arising from the reviews. Based on the above, the Audit Committee believes that there were no material control weaknesses which might result in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or conditions.

All the issues arising from the review have been reported to the Board of Directors with recommendations on actions to be implemented by the management of the Company.

During the period from 01-01-2016 to 31-12-2016G the Audit Committee held nine meetings. During these meetings the Committee amongst other activities:

- reviewed the internal and external audit arrangements and , assessed their independence.
- reviewed and approved the internal audit plans as well as the adequacy of internal audit resources to execute the plans.
- assessed the effectiveness of the internal audit function and reviewed the findings reported within the audit reports and the management actions to address them
- ensured that the external auditors had access to all information and explanations required by them for carrying out their audit and expressing their audit opinion
- reviewed the interim and final financial statements prior to their approval by the Board and publication
- reviewed the risk appetite as well as the risk profile of the Company
- reviewed the activities of the risk and compliance department in developing and implementing mitigating actions and managing the risks identified.
- reviewed the arrangements in place to achieve compliance with applicable regulations.

vii) Profiles of Management Team

Khalid Allagany

Age: 49

Nationality: Saudi

Position: Managing Director and Chief Executive Officer (CEO)

Qualification:

- Bachelor of Business Administration in Risk Management from University of ALMEDA, USA, 2002.

Professional Experience:

- Managing Director and CEO of Al Alamiya, since 2012 to present
- Deputy CEO of Al Alamiya for Cooperative Insurance Company, a public joint stock company in the KSA operating in the insurance sector, from 2012 to end of 2012
- Managing Director of Qeema Investments, KSA, a limited liability company in the UAE operating in the investment sector, from 2011 to 2012
- Chief Executive Officer of Al-Ahli Takaful Company, a public joint stock company in the KSA operating in the insurance sector, from 2007 to 2011
- Insurance Business Group Head of the National Commercial Bank, a closed joint stock company in the KSA operating in the banking sector, from 2004 to 2007
- Head of Insurance & Bancassurance of Saudi Hollandi Bank, a public joint stock company in the KSA operating in the banking sector, from 2001 to 2004
- Head of Insurance of Banque Saudi Fransi, a public joint stock company in the KSA operating in the banking sector, from 1995 to 2001
- Underwriting Officer of The National Company for Cooperative Insurance, a public joint stock company in the KSA operating in the insurance sector, from 1993 to 1995

Fadi About Hossn

Age: 46

Nationality: Canadian

Position: Chief Financial Officer (CFO)

Qualifications:

- Master of Business Administration (MBA) with concentration in Finance and strategic management from the Strathclyde Graduate School of Business, the University of Strathclyde, UK, 2003.
- Bachelor of Science in Business Administration with an option in Accounting, California State University, USA, 1994.
- Award in Financial Planning from the Chartered Insurance Institute (CII), UK, 2009.

Professional Experience:

- Member of the Finance sub-committee of the Saudi Arabia Insurance Industry Executive Committee (IEC), since 2013 to date.
- Chief Financial Officer of Al Alamiya, since 2013 to present.
- Director of Finance and Administration at Wehbe Insurance Services, an Emirati limited liability company operating in the insurance sector, from 2004 to 2012.
- Group Financial Controller at GET Group\Global Information Technology, a limited liability company operating in the IT and the Secured Documents sector, from 1999 to 2004.
- Business and IT Consultant at High Tech Computer Associates, a partnership operating in the IT Service sector in the USA, from 1996 to 1999.
- Accounting and Finance Manager at Royal Fortune Inc., a public partnership operating in the trading sector in the USA, from 1990 to 1996.

Ahmed Khalifa Hassan

Age: 44

Nationality: Egyptian

Position: Technical Director

Qualification:

- Bachelor of Commerce from Cairo University, Egypt, 1993

Professional Experience:

- Technical Director of Al Alamiya, from 2012 to present
- Technical Manager of Allianz Insurance Company, a joint stock company working in the insurance sector in Egypt, from Jan 2012 to the July 2012
- Assistant General Manager (Non Marine Lines) at Arab Orient Insurance Company, a limited liability company operating in the insurance sector in UAE, from 2011 to the end of 2011
- Vice President, Technical at Ahlia Cooperative Insurance, a public joint stock company in the KSA operating in the insurance sector, from 2009 to 2011
- Assistant Vice president at Marsh, a limited liability company working in the insurance sector in Egypt, from 2006 to 2009
- Energy Profit Centre Manager at AIG Insurance Company, a joint stock company operating in the insurance sector in Egypt, from 2004 to 2006
- Engineering and Casualty Senior Underwriter at MISR Insurance Company, a state owned company operating in insurance in Egypt, from 1995 to 2004.

Mohamed Hassan Abdel Aziz

Age: 46

Nationality: Egyptian

Position: Acting Sales & Marketing Director

Qualification:

- Diploma in Insurance, (DIP.CII) from the Chartered Insurance Institute – London in 2005
- B.Sc. in Commerce Accounting Dept. from Suez Canal University, Egypt in 1991

Professional Experience:

- Acting Sales & Marketing Director of Al Alamiya, since 2015 to present
- Head of Key Accounts, Al Alamiya, from 2013 till 2014
- Vice President, Technical, Marsh t, a limited liability company working in the insurance sector in Egypt, from 2012 till 2013
- Regional Manager, Central Region, Al Ahlia Cooperative insurance, a public joint stock company in the KSA operating in the insurance sector in KSA, from 2009 till 2012
- Underwriter /Senior Underwriter, MISR Insurance Company, a state owned company operating in insurance in Egypt , from 1995 till 2008

S.R Shashidhar

Age: 49

Nationality: Indian

Position: Strategy and Change Director

Qualification:

- Master of Science in Materials Science and Engineering from Washington State University, USA, 1992
- Bachelor's Degree in Technology from Indian Institute of Technology Bombay, India, 1990

Professional Experience:

- Strategy and Change Director of Al Alamiya, since 2012 to present
- Deputy General Manager - Strategy & Change / Head - Technical Projects at Royal Sundaram Alliance Insurance Company in India, a limited liability company operating in the insurance sector in India, from 2007 to 2012
- Regional Sales Manager at Dresser-Rand India, a limited liability company operating in the gas sector in India, from 2007 to 2007

- Operations Manager at Athi River Steel Plant, a limited liability company operating in the steel sector in Kenya, from 2005 to 2006
- Sales Manager at Global Gases, a limited liability company operating in the gas sector in Kenya, from 2003 to 2005
- Business Development Manager at Gases online India, from 2000 to 2002
- Sales Manager at Praxair, a limited liability company operating in the gas sector in India, from 1997 to 2000
- Marketing Manager at Tata Refractories, a limited liability company operating in the industrial sector in India, from 1996 to 1997

Mohammed Rochdi Yahiaoui

Age: 38

Nationality: Algerian

Position: Head of Regulatory Compliance

Qualification:

- Bachelor of Economics degree from Blida University, Algeria, in 2002

Professional Experience:

- Head of Regulatory Compliance of Al Alamiya, from 2012 to present
- Head of Risk & Compliance – KSA & Bahrain of RSA Group, a public joint stock company operating in the insurance sector, from 2010 to 2012
- Risk Compliance Senior Officer at Al Alamiya, 2010
- Operational Risk Unit Manager at Bank Al-Bilad, a public joint stock company in the KSA operating in the banking sector, from 2009 to 2010
- Operational Risk Manager at Arab Bank Corporation in Algeria, a closed joint stock company, from 2008 to 2009
- Compliance Section Head & Operational Risk Management Coordination Officer at Arab Bank Corporation in Algeria, a closed joint stock company, from 2007 to 2008
- Internal Control Section head in Arab Bank Corporation in Algeria, a closed joint stock company, from 2006 to 2007
- Internal Auditor at Banque de Development Local in Algeria, a closed joint stock company, from 2003 to 2006

Akhtar Abdulghafour Abbas

Age: 37

Nationality: Pakistani

Position: Head of Audit

Qualification:

- Bachelor of Commerce degree from University of the Punjab, Pakistan, in 1999
- Associate of the Institute of Chartered Accountants of Pakistan since 2006
- Certified Financial Services Auditor - 2013

Professional Experience:

- Head of Audit of Al Alamiya, from 2012 to present
- Financial Controller of Service Sales Corporation (Private) Limited, a limited liability company operating in the retail sector in Pakistan, from 2010 to 2012
- Group Head – Internal Audit of IGI Financial Services, a group of public joint stock companies operating in the financial services sector in Pakistan, from 2006 to 2010
- Trainee member with Price Waterhouse Coopers (PwC), a limited liability firm operating in the field of assurance, advisory and consultancy in Pakistan, from 2002 to 2006

Waleed Najeeb AlMasri

Age: 48

Nationality: Saudi

Position: HR Director

Qualification:

- Bachelor's Degree in Applied Mechanical Engineering from KFUPM Dhahran KSA, obtained in 1995

Professional Experience:

- HR Director for Alalamiya from September 2016 to present.
- Group HR and Admin Manager for Alraha Group for Technical Services (RGTS) from May 2014 to May 2016 in Riyadh.
- General Director Human Resources at SAMA from July 2013 May 2014, in Riyadh.
- VP Human Resources at JPMorgan Chase Bank N A Riyadh Branch, from June 2010 to May 2013.
- Senior Manager Human Resources at Emaar Economic City, Jeddah, from October 2008 to June 2010.
- Group HR Manager for Rubaiyat, Jeddah, from January 2008 to September 2008.
- Saudi Arabian Airlines Catering (Riyadh and Jeddah) from November 1996 to December 2007 in three positions (Assistant Manager HRD, Technical Manager Riyadh Catering Unit, Outsourcing Manager).

Riyadh Abbas Aldakheel

Age: 34

Nationality: Saudi

Position: IT and Operations Director

Qualification:

- Bachelor's Degree on Computer Engineering from KFUPM, Dhahran, in 2007.

Professional Experience:

- IT and Ops Director at Alalamiya from November 2016 to present.
- IT Manager at Saudi Indian Coop Insurance Co. (WAFA), Riyadh, from October 2013 to November 2016.
- Assistant IT Manager at Alrajhi Takaful, Riyadh, from December 2010 to October 2013.
- IT Application Analyst at AXA Insurance Saudi Arabia, Riyadh, from February 2007 to December 2010.

For and on behalf of the Board of Directors

Ali Husein Alireza

Chairman of the Board of Directors

Khalid Allagany

Chief Executive Officer and Managing Director