



His Royal Highness
**Prince Mohammad Bin Salman
Bin Abdulaziz Al-Saud**
Deputy Crown Prince, Second
Deputy Prime Minister And
Minister of Defense.



Custodian of the
Two Holy Mosques
**King Salman Bin
Abdulaziz Al-Saud**



His Royal Highness
**Prince Mohammad Bin Nayef
Bin Abdulaziz Al-Saud**
Crown Prince, First Deputy Prime
Minister And Minister of Interior

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Chairman's Statements

Dear Shareholders,

On behalf of the Board of Directors, I present the 9th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2016.

Market conditions proved to be somewhat challenging in 2016 due to the current economic situation. The Company adjusted to these conditions with a focus on the General Insurance and the Motor insurance business.

The Company also looked at the opportunistic side of the situation and launched its Renewal Agenda initiative which focuses on digitalization, technical excellence, growth engine and creating a culture where people and performance matter without excluding anyone.

All these initiatives have one focal point to make superior customer experience the top priority of all our actions.

A Net Promoter Score (NPS) campaign was rolled out and will continue throughout 2017 to measure customer satisfaction at different touch points and identify pain areas. This is helping us in improving processes and customers experience.

In Claims Management, a new workflow system was integrated to allow automated and efficient claims processing allowing us to improve efficiency and service to customers.

The Company has also developed a Smart Motor Fast Quotation tool to generate motor quotations based on limited parameters. This new tool will be launched in 2017 for our Retail Motor Clients.

These initiatives helped us in reaching an operating profit of SAR 24.4 Million, the highest since establishment in 2007. This increase represents a growth of 2.5% compared to 2015. This also shows how efficient the company's underwriting policies have been over the past few years.

Under our Corporate Social Responsibility activities the company held a local football tournament between 16 Youth Clubs. The tournament concluded with selecting two young Saudi football players (aged 14-16) to travel to Germany to participate in the Allianz Junior Football Camp, an annual 6 days camp that takes place in Munich, Germany in partnership with Bundesliga record holders, FC Bayern Munich. The Camp offered 75 children from all around the globe a chance to train with the club and learn more about the world of a professional footballer as well as the cultures of other participants.

Development will continue in 2017 and the Company will focus on further enhancing customer services and develop online sales capabilities for retail customers. In Bancassurance, the product offering and services development will support the Retail business development. For the Corporate and SME Bancassurance business, the Company will leverage on the excellent relationships between Banque Saudi Fransi and its customer in order to further improve cross-selling activities. Developing and empowering our employees will be an essential part in further reinforcing a culture where people and performance matter without excluding anyone.

I express my sincere gratitude to all of our employees and distribution partners for this outstanding achievement. I remain convinced that a motivated and well-qualified workforce is of utmost importance and the basis for our success. Likewise the positive results of our annual Allianz Engagement Survey show that our employees continue to value Allianz Saudi Fransi as an attractive employer.

I would also like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdul Aziz Al Saud, his Crown Prince and Deputy Crown Prince for their continuous support to the Insurance Industry. I would also like to thank the Saudi Arabian Monetary Authority, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce & Industry. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Abdulrahman Al Sughayer
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 9th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2016.

Following is a presentation of the most significant developments, operational activities and financial results:

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 161427/9/ H, 9th October 2006 and the Royal Decree No. 60/M dated 181427/09/ H, 11th October 2006.

The initial authorized and issued Capital of the Company was SAR 100 million. In April 2010, the Company increased its capital through rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2016 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- Within the remaining 35% public shareholders, the following owns more than 1% share:
 - 4.6% Ali Mohammed Al Qahtani
 - 1.6% Moath Abdullah Mahfouth
 - 1.1% Faisal Mohammad Al Jameie

The Company has received its operational license (Ref: TMN/1120083/) from the Saudi Arabian Monetary Authority (SAMA) on 301429/02/ H, 8th March 2008 and has successfully renewed it on 301432/02/ H– 5th February 2011, on 291435/02/ H - 1st January 2014 and on 281438/02/ corresponding to 28th November 2016 for a period of another 3 years.

2. The Company's Vision, Mission, Strategy & Values

Our Vision is

To be amongst top Saudi Insurers with global expertise and local insight,
providing world class products and services in all lines of business,
with nationwide reach using diverse channels of distribution,
through highly trained and motivated employees.

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

To provide insurance solutions in all lines of business through three axes of development:

- Banque Saudi Fransi: to provide Retail and Corporate Bancassurance products.
- Direct Sales Force: to provide individual insurance solutions.
- Selected brokers and dedicated account executives: to provide comprehensive solutions for corporate customers.

The Company will keep investing strongly to develop those distribution channels with the aim to further develop its market position in Property, Casualty and Health Business as well as in Protection and Savings products.

Our Values are

Expertise, Integrity and Sustainability.

3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

2016

February

Renewal Agenda official kick off and announcement to employees

February

The Company participated in the Janadriyah Festival as part of the German Guest of Honor Pavilion

November

The Company obtained from SAMA the renewal of its operational license for 3 years.

December

Full Fledged Customer Call Center launched

2015

September

Mr. Sergio Balbinot, Member of Allianz SE Board of Management, Insurance Western & Southern Europe, Middle East, Africa, India visited the company

October

The Company obtained from SAMA the Visitor insurance product approval.

Claims Workflow launched in the H.O. and Branches

November

Launching the new strategic initiatives (Renewal Agenda)

December

The Company achieved the highest Net Profit - before zakat and tax since the establishment

2014

January

The Company obtained from SAMA the renewal of its operational license for 3 years

May

Mr. Ammar Al Khudairy appointed as new Chairman of the Company

September

D&O Liability and Medical Malpractice Insurance Products approved by SAMA

November

Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company

January

The Company restructured its Direct Sales Force for Retail Business as well as its branches

August

The Company restructured its Corporate Sales Force to better serve corporate and commercial customers

April

The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million

November

BSF Bancassurance Portfolio transfer was completed

March

The Operational License from SAMA (Ref: TMN/11/20083) was obtained

September

The Company moved to the New Head Office in Riyadh and received its first products' approval

November

SAMA approved the transfer of Insaudi portfolio subject to no goodwill

October

The founders received the authorization to establish the Company as per Royal Decree No. 60/M

2013

January

Launched common workflow platform for all Sales Channels including Sales Support function

August

Xavier Denys succeeded Antoine Issa as Chief Executive Officer

2011

February

The Company renewed its operational license from SAMA (Ref: TMN/11/20083) for another 3 years

June

The Company launched the Sharia Compliant Protection & Savings "Gold" Products

2009

January

Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009

March

The individual Protection & Savings products approvals were received

November

Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received

2007

March

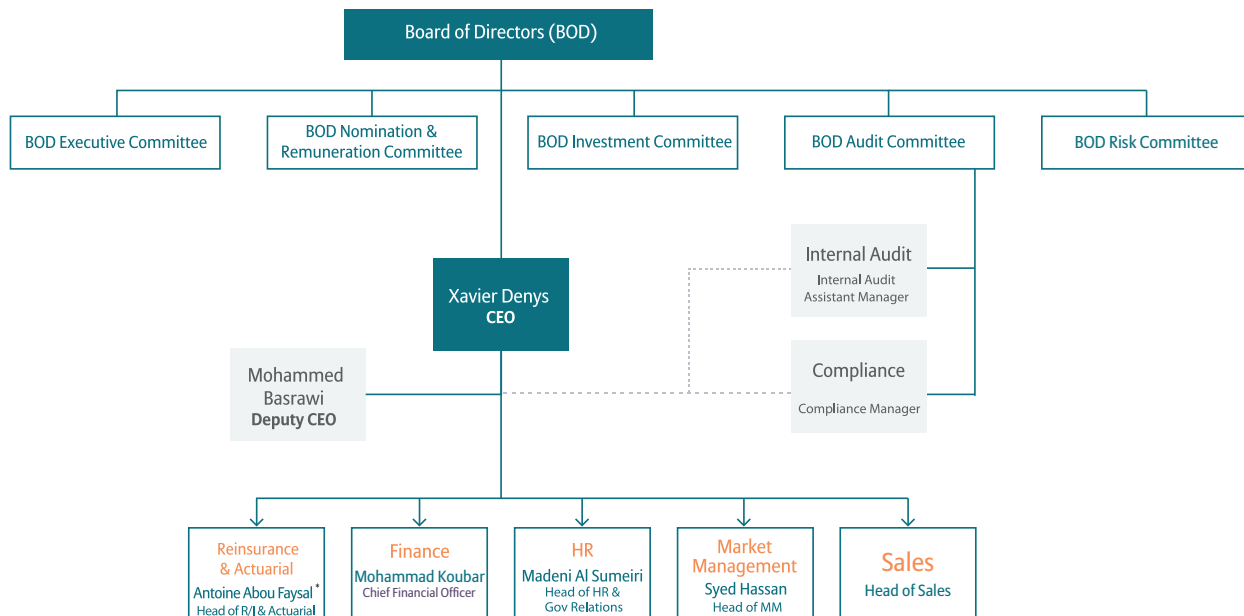
The Company went public through an Initial Public Offering

June

The Constituting General Assembly was held

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2016 is shown here below:



* Resigned as of 31 August 2016

5. Top Management

The members of the Top Management of the Company are:

Name	Position	Year of Birth	Latest Degree
Xavier Denys	Chief Executive Officer	1968	Masters of Commercial Engineering
Mohammed Basrawi	Deputy Chief Executive Officer	1957	Masters of Science, BA Civil Engineering,
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Syed Hassan	Head of Market Management	1957	Masters of Science
Antoine Abou Faysal *	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science
Mohammad Koubar	Chief Financial Officer	1979	BA in Finance and Accounting

* Resigned as of 31 August 2016

6. Human Resources

As part of our Renewal Agenda, we introduced the Inclusive Meritocracy initiative to re-inforce a culture where both people and performance matter. We foster knowledge and strive for excellence at every point with the customer. Thus its important that we empower our employees and provide them with purpose and direction, encourage them to take the initiative to improve our customer experience and move forward in their careers. In 2016 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2016 the percentage of Saudi nationals within the company represented 61.7%.

7. Geographical Presence

Our geographical presence in the Kingdom of Saudi Arabia is shown here below:

Office	Address	Telephone & Fax	
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh – KSA P.O. Box 3540, Riyadh 11481	Tel:	+966 (11) 821 3000
		Fax:	+966 (11) 874 9799
Jeddah	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel:	+966 (12) 283 0229
		Fax:	+966 (12) 283 2589
Madinah	King Abdul Aziz Road, Al Diwali Building	Tel:	+966 (14) 834 0627
		Fax:	+966 (14) 834 3788
Dammam	Al Ashriah Street, Riviera Building	Tel:	+966 (13) 802 0385
		Fax:	+966 (13) 802 0392
Khobar	Al Sharq Tower, 3rd Floor Office No. 12 Al Dhahran Street	Tel:	+966 (13) 898 2671
		Fax:	+966 (13) 898 2646
Al Hassa	1st Floor, Al Harshan Tower, Dahran Road, Mubarraz – Al Shorufiyah District	Tel:	+966 (13) 531 4521
		Fax:	+966 (13) 582 8118

8. The Company's Products and Services

Allianz Saudi Fransi provides comprehensive insurance services to corporate and individual customers. With the General line of business (Property and Casualty insurance), Allianz Saudi Fransi embraces the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. With the Protection, Savings and Health insurances, the company plays a leading role in the field of Employee Benefits schemes as well as in retail with Health, Retirement and Education savings plans.

Corporate Solutions	Individual Solutions	Bancassurance Solutions
Employee Benefits	Protection & Savings	Protection & Savings
Group Protection & Health	Waad Al Ousra Gold (Protection)	Al Anjal (Education)
Workmen Compensation	Waad Al Ajyal Gold (Education)	Al Ghad (Retirement)
Group Personal Accidents (PA)	Waad Al Isteqrar Gold (Retirement)	Protection & Savings (Takaful)
Engineering	Property, Casualty & Health	Takaful Al Anjal (Education)
Contractors All Risks (CAR)	ASF Property & House Occupants	Takaful Al Ghad (Retirement)
Erection All Risks (EAR)	Comprehensive	Property, Casualty & Health
Machinery Breakdown	ASF Motor	Comprehensive Motor Insurance
Electronic Equipment	ASF Health	Third Party Liability Motor Insurance
Boiler Pressure & Vessel	ASF Personal Accident	Travel Insurance
Contractors Plant & Machinery	ASF Travel	
Property & Casualty		
Property All Risks		
Fire, Theft, Money		
Sabotage and Terrorism		
Motor Fleet		
Liability		
Fidelity Guarantee		
Comprehensive Crime		
Third Party Liability		
Public & Product Liability		
Public Liability		
Bankers Blanket Bond and Electronic and Computer Crime		
Marine & Cargo		
Credit Insurance		
D&O Insurance		
Medical Malpractice Insurance		

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 836.2 Million for the twelve months ended December 2016 against SAR 803.2 Million for the twelve months ended December 2015 showing an increase of 4.1%. The split per line of business is as follows:

SAR Million	2016	2015	2014	2013	2012
■ Property, Casualty & Health:	686.3	632.2	546.3	568.3	416.6
a) Motor:	299.0	199.0	155.2	153.5	85.1
b) Engineering:	74.0	107.2	116.6	152.9	75.6
c) Medical:	123.8	103.1	55.3	61.6	82.3
d) Other General:	189.5	222.9	219.2	200.3	173.6
■ Protection & Savings:	149.9	171.0	178.8	177.6	204.6

Property, Casualty and Health Gross Written Premiums increased by 8.6% compared to 2015. This was mainly driven by 50.3% growth in Motor and 20% in Medical. Engineering and other general lines were influenced by the economical slowdown and therefore show a decrease of 20.1% in GWP. Protection & Savings Gross Written Premiums declined by 12.3% compared to 2015 due to the limited new business influenced by the economical slowdown as well.

Motor and Medical business represent 50.5% of the company's portfolio as at December 2016 compared to 37.6% in December 2015. Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2016	2015	2014	2013	2012
Central Region:	611.0	582.6	455.4	469.0	385.1
Western Region:	99.8	126.1	111.3	146.6	149.1
Eastern Region:	125.4	94.5	158.4	130.3	87.0

b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 500.0 Million for the year ended December 2016 against SAR 388.2 Million for the year ended December 2015.

The company retains the bigger part of the business in Motor and Medical, while in Engineering and other general lines, reinsurance cession are more important in view of the size of the risk and the exposure. In view of the growth of premium in Motor and Medical, company registered an increase of the net earned premium by 28.8% in 2016 compared to the previous year.

Motor and Medical business represented 50.5% of the company's portfolio as at December 2016 compared to 37.6% in December 2015.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR (0.9) Million for the twelve months ended December 2016 against SAR 0.8 Million in 2015 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 14.6 Million for the twelve months ended December 2016 against SAR 0.7 Million in 2015. This is coming from the market fluctuation of the underlying funds.

d) Other Income

Other Income represents the income generated from the available for sale investments allocated to insurance operations along with other operational income and amounted to SAR 8.0 Million in 2016 against SAR 6.4 Million in 2015.

This is due to higher yield generated from the available for sale investments and to the return from strategic investment (Najem) and other arrangements (Manafeth).

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (376.5) Million for the twelve months ended December 2016 against SAR (277.9) Million for the twelve months ended December 2015, representing an increase of 35.4%. This is mainly due to the increase of business in Motor and Medical which showed a net earned premium growth by 40% in 2016 compared to the year before.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (31.4) Million for the twelve months ended December 2016 against SAR (20.1) Million for the twelve months ended December 2015. This is due to the change in business mix toward Motor and Medical where there is no reinsurance commission.

g) General Expenses

The Company has incurred during 2016 insurance operations expenses of SAR (75.9) Million, against insurance operations expenses of SAR (70.5) Million during 2015. In addition, the Company incurred during 2016 expenses of SAR (3.1) Million allocated to the shareholders operations against expenses of SAR (0.9) Million during 2015.

The increase was driven by expenses incurred to reinforce the company's structure, and by certain consulting fees charged on the shareholders' Statement of Income serving the same purpose.

h) Net Surplus from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 26.5 Million for the year ended December 2016 against a Net Surplus of SAR 22.5 Million for the year ended December 2015, representing an increase by 18.0%.

The excellent performance in the general insurance lines of business with a combined ratio of 93% for the year ended December 31, 2016, is an important driver of such result. It is worth mentioning that our operating results were influenced by the management decision to set aside Premium deficiency reserve (PDR) of SAR 5.3 Million to face any potential losses resulting from the bodily injuries on unexpired risk in Motor insurance.

This management decision was triggered by the circular issued by the Ministry of Health stating that bodily injuries related to car accident and where injured cases are treated by public hospitals shall be recharged moving forward to insurance Companies; and therefore, shall not be paid by the said public hospitals.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 26.5 Million, minus the revaluation of the policyholders' investments amounting to SAR 14.6 Million in 2016.

This is done only to comply with the announcement requirements on Tadawul and does not reflect the actual operating results.

i) Investments

The Company's investments excluding investments from unit-linked Protection & Savings products as of December 2016 are summarized here below.

SAR Million	2016	2015	2014	2013	2012
Cash & cash equivalents:	77.2	56.8	68.6	52	33.3
Sukuk/Funds:	237.2	226.6	213.5	183.9	172.1
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	3.2
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Operational Income amounted to SAR 6.3 Million as of December 2016 against SAR 7.4 Million as of December 2015. The shareholders' share of the investment income is SAR3.7Million as of December 2016 compared to SAR 4.5 Million as of December 2015.

j) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2016 (the 9th fiscal year) is a Net Income before zakat & tax of SAR 24.4 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 2.6 Million against a Net Income of SAR 23.8 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 2.2 Million for the twelve months ended 31st December 2015. The increase in net profit before zakat is mainly due to the increase of net earned premium by 28.8%. This was achieved through having different business mix with higher retention driven by a growth of 50.3% in Motor and 20% in Medical, while maintaining a very good overall technical result.

It is worth mentioning that the achieved increase in net income before zakat was reduced by SAR 5.3 Million premium deficiency reserves (PDR) taken to mitigate any potential losses from bodily injuries for unexpired risks in Motor Insurance. This management decision was triggered by the circular issued by the Ministry of Health stating that bodily injuries related to car accident and where injured cases are treated by public hospitals shall be recharged moving forward to insurance Companies; and therefore, shall not be paid by the said public hospitals.

k) Assets

The total Assets of the Company as of 31st December 2016 amounted to SAR 1,994.6 Million divided as follows:

SAR Million	2016	2015	2014	2013	2012
Insurance Operations' Assets	1,756.5	1,692.4	1,536.1	1,295.1	949.3
Shareholders' Assets	238.1	215.9	195.5	180.4	171.4

l) Shareholder's Equity

The Shareholder's Equity as of 31st December 2016 amounted to SAR 221.3 Million, split as follows:

SAR Million	2016	2015	2014	2013	2012
Share Capital	200.0	200.0	200.0	200.0	200.0
Accumulated Losses	(0.4)	(19.5)	(38.1)	(49.6)	(58.4)
Other Reserves	21.7	20.4	22.9	22.5	25.3

The share premium included in the other Reserves remained constant at SAR 22.7 Million.

m) Profit Distribution Strategy

As stated in the articles of association of the Company, article 44, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The Company has not transferred any amounts to the statutory reserve due to accumulated losses as of 31st December 2016.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi distributes on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of Net Surplus, if any, is calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Authority (SAMA). For the year ending 2016, this 10% of Net Surplus represents SAR 2.6 Million. It corresponds to the Net Insurance Operations Surplus after shareholders' appropriation.

n) Financial highlights

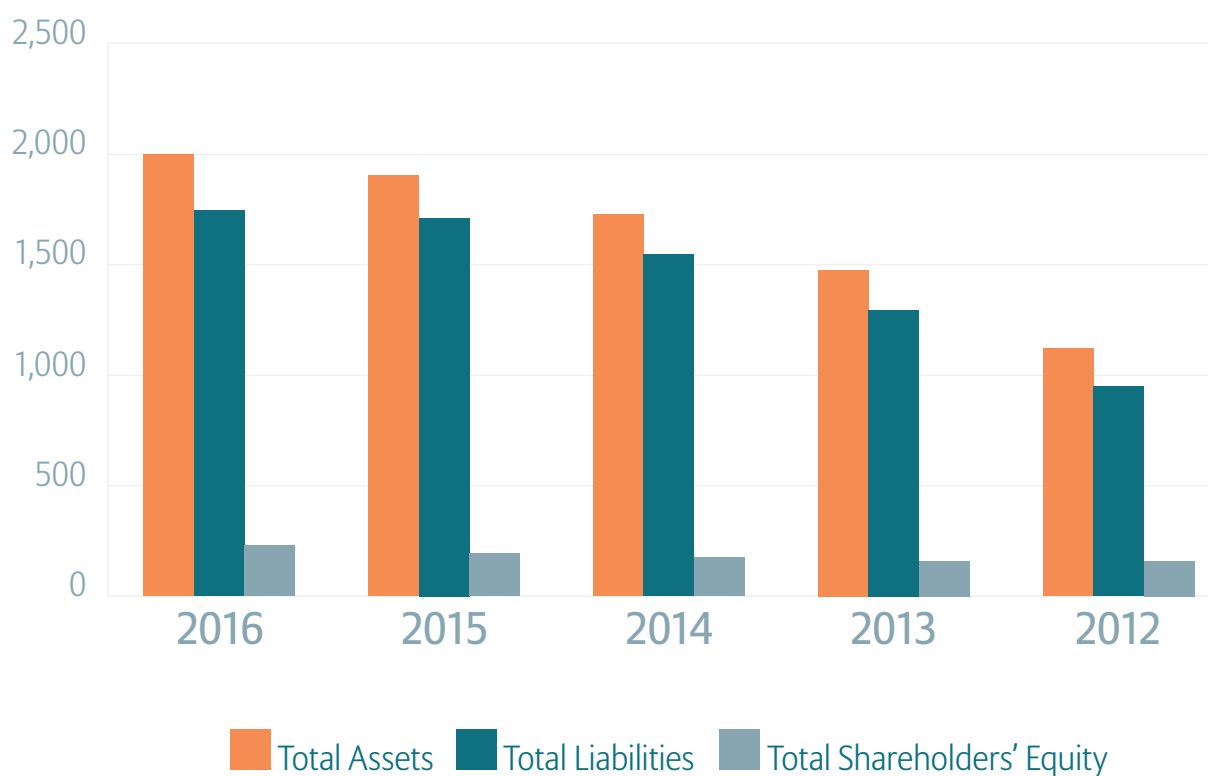
The following is a summary of the most important indicators for the past five years:

SAR Million	2016	2015	2014	2013	2012
Gross Written Premium	836.2	803.2	725.1	745.9	621.2
Net Premium Earned	500.0	388.2	420.6	354.5	351.8
Mathematical Reserve Change	(0.9)	0.8	(17.5)	(41.7)	(61.8)
Unrealized gain on UL	14.5	0.7	9.4	15.0	7.4
Other Income	8	6.4	3.2	1.8	1.1
Net Incurred Claims	(376.5)	(277.9)	(316.7)	(233.0)	(203.5)
Net Commissions	(31.4)	(20.1)	(18.2)	(9.2)	(8.9)
Premium Deficiency Reserve	(6.1)	-	0.9	(0.9)	-
General Expenses Insurance operations (Including Inspection and Supervision Fees)	(81.2)	(75.6)	(68.8)	(77.2)	(80.0)
Net Surplus for the year	26.5	22.5	12.9	9.3	6.1
Net insurance operations surplus after shareholders' appropriation for the year	2.6	(2.2)	(1.3)	(0.9)	(0.6)
Net Investment Income Shareholders	3.7	4.5	5.0	5.2	5.4
General Expenses Shareholders	(3.1)	(0.8)	(0.7)	(0.8)	(0.6)
Net Income – Profit *	24.4	23.8	15.9	12.8	10.3

* After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2016	2015	2014	2013	2012
Total Assets	1,994.6	1,908.3	1,731.6	1,480.8	1,120.7
Total Liabilities	1,773.3	1,707.4	1,546.8	1,307.9	953.8
Total Shareholders' Equity	221.3	200.9	184.8	172.9	166.9

Balance Sheet (SAR Million)



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

In 2016, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations and SAMA guidelines except in the following issues:

- CMA imposed a fine of SAR 20,000 due to breach of Corporate Governance Regulations Article 12 paragraph (e) and Capital Market Law's Part Fifty Nine whereby the minimum number of independent members in the Board of Directors was not met. This was corrected during the Ordinary General Assembly Meeting on 28/04/2016 after electing the new Board of Directors effective 08/08/2016 up to 07/08/2019.
- CMA imposed a fine of SAR 20,000 due to breach of Corporate Governance Regulations Article 14 paragraph (a) and Capital Market Law's Part Fifty Nine whereby the minimum number of independent members in the Audit Committee was not met. This was corrected during the Ordinary General Assembly Meeting on 17/10/2016 after electing the new Audit Committee Members with the same mandate of the Board up to 07/08/2019.
- Saudi Arabia Monetary Authority (SAMA) imposed a fine of SAR 96,832 fine for late payment of the costs of supervision and inspection for the third quarter of 2015. The company embedded in its internal procedures another layer of following up and tracking the regulatory deadlines, to avoid such delays in the future.
- Certain paragraphs from the CMA regulations (listed below), are not applicable and accordingly no further disclosure is required on the related topics:
 - Article 43 of the listing rules paragraphs (8),(9),(11),(14),(15), (16), and (23).
 - Article 6 of the Corporate Governance Regulations paragraph (d)

b) Board of Directors

At the Ordinary General Assembly held on 28 April 2016, a new Board of Directors had been elected effective as of 8 August 2016 for a period of three years:

- 2 representing Banque Saudi Fransi (BSF)
- 2 representing Allianz France & Allianz MENA Holding Bermuda
- 2 independent

Name of the Board Members	No. of Shares beginning of year**	No. of Shares end of year**	Change in No. of Shares	Board Member	Rep.	Member Classification
Alwaleed Al Dryaan	1,000	1,000	Nil	Alkhaleej Training & Education Co.	Public	Independent
Abdullah Al-Hussaini	1,000	1,000	Nil	Nil	Public	Independent
Patrice Couvignes	Nil	Nil	Nil	CLSA (Hong Kong) Banque Saudi Fransi Credit Agricole (Shanghai) Credit Agricole (Hong Kong)	Banque Saudi Fransi	Non Executive
Abdulrahman Al Sughayer	Nil	Nil	Nil	Banque Saudi Fransi	Banque Saudi Fransi	Non Executive
Chairman						
Hicham Raissi	Nil	Nil	Nil	Nil	Allianz MENA Holding Bermuda	Non Executive
Hugues de Roquette-Buisson (replaced by Antoine Issa wef 12/01/2017)	Nil	Nil	Nil	Nil	Allianz France	Non Executive

*Owned by Board of Directors, their spouses or their children in Allianz Saudi Fransi.

BOD Responsibilities

The Board of Directors is ultimately responsible for the policies and management of the Company. The Board of Directors approves strategic, accounting, organizational, and financing policies adopted by the Company as well as strategic plans and major transactions. Its responsibilities include the appointment and appropriate succession planning of executive officers and authorized signatories of the Company, in addition to supervision over the Company's management and performance. It establish and monitor internal controls and risk managements systems. The Board of Directors also ensures the integrity of the accounting and financial reporting as well as the appropriateness of its disclosure. It promotes high standards of Corporate Governance and ensures compliance with applicable laws and regulation. It ensures that the interest of the policyholders is always protected. The Board of Directors is also entrusted with organizing the Shareholders' meetings and carrying out Shareholders' resolutions.

BOD Investment Related Responsibilities

- The Board of Directors shall be responsible for the approval of the investment policy and activities, taking into account the analysis of the asset/liability relationship, the Company's overall risk tolerance, its long-term risk-return requirements, its liquidity requirement and its solvency positions.
- The Board of Directors is also responsible for approving policies on related issues of a more operational nature including:
 - The criteria for selection of the external investment manager(s).
 - The selection and use of partners and brokers.
 - The nature of custodial arrangements.
 - The methodology and frequency of the performance and investment risk measurement.
- The Board of Directors authorizes the Investment Committee and the senior management to formulate the investment policy, review it and implement the overall investment activities.
- The Board of Directors must also ensure that adequate reporting and internal control systems of the Company are in place, and legal and regulatory requirements. This should be done by ensuring that:
 - The Board receive quarterly information, including feedback from the Company's risk management function, on asset exposures, and the associated risks.
 - The systems provide accurate and timely information on asset risk exposure and are capable of generating ad-hoc requests.
 - Remuneration policies are structure to avoid potential incentives for unauthorized risk taking.
- The Board of Directors must ensure that senior management is in a position to monitor the performance of the external investment manager(s) against Board approved policies and procedures. The Board of Directors should review on an annual basis the adequacy of its overall investment policy in the light of the Company's activities, and its overall risk tolerance, long-term risk return requirements, and solvency position.

BOD Meetings

The BOD met six times during the year ended 31st December 2016 with attendance of 81% (89% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
39	18/02/2016	Ammar Alkhudairy, Alwaleed Al Dryaan, Patrice Couveignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson.	83%	83%
40	28/04/2016	Ammar Alkhudairy, Alwaleed Al Dryaan, Patrice Couveignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson.	83%	83%
41	27/07/2016	Ammar Alkhudairy, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson.	50%	67%
42	25/08/2016	Patrice Couveignes, Alwaleed Al Dryaan, Abdullah Al-Hussaini, Hugues de Roquette-Buisson	67%	100%
43	17/10/2016	Patrice Couveignes, Hicham Raissi, Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Hugues de Roquette-Buisson, Abdullah Al-Hussaini	100%	100%
44	24/11/2016	Patrice Couveignes, Hicham Raissi, Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Hugues de Roquette-Buisson, Abdullah Al-Hussaini	100%	100%

The above BOD meetings covered the following major tasks:

- Regularly analyzed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Reviewed and approved the quarterly and annual financial statements based on the audit committee recommendations (Q4 2015 approved by circulation).
- Approved the Reinsurance Strategy for the year including the modification of terms.

- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2016 those updates mainly referred to Corporate Governance.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external appointed actuary noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- Updated the Nomination & Remuneration Committee Charter.
- Facilitated the three Ordinary General Assembly meetings during the year.
- Elected the BOD Chairman and Vice Chairman (however, it was rejected by SAMA).
- Elected the BOD Committees.

The BOD also met once during the year to conduct a workshop in Health Insurance Market Strategy.

BOD #	Date	Attendance	Percentage	Percentage with Proxy
n/a	22/06/2016	Ammar Alkhudairy, Alwaleed Al Dryaan, Patrice Couveignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson.	83%	83%

Members of the Top Management		X. Denys	M. Basrawi	M. Sumeiri	S. Hassan	M. Koubar
Number of Shares *	beginning of year	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil

* Owned by the Top Management, their spouses or their children in Allianz Saudi Fransi.

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, Head of Human Resource and Head of Market Management) during the 9th fiscal year ending 31st December 2016 were:

SAR	2016				2015			
	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 5 Exec	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec
Salaries & Remunerations			-	3,938,670			-	3,624,244
Allowances / Attendance fees	42,000	141,000	-	513,227	25,500	105,000	-	529,945
Bonuses	-	-	-	1,490,039	-	-	-	1,439,898
Other Expenses	-	9,982	-	-	-	49,604	-	-
Other Benefits*	-	-	-	291,639	-	-	-	228,131
Total	42,000	150,982	-	6,233,575	25,500	154,604	-	5,822,218

* Other benefits include Global equity Incentive plan. The key management personnel of the Company are eligible for a Global Equity Incentive (GEI) plan of Allianz Group, a significant minority shareholder of the Company. The GEI plan consists of Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, a certain number of RSU's at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

** Including Chairman

Furthermore, one Top Executive received an advance from the Company during November 2016 amounting to SAR 110,258 with a last payback installment due in March 2017.

Subject to the approval of the General Assembly, the 2016 annual Remunerations of the Board Members are distributed as follows:

Name of the Board Members	01/01/2016 to 07/08/2016		08/08/2016 to 31/12/2016		Totals
	Member Classification	Subject to the Approval of the upcoming	Subject to the Approval of the upcoming		
		GA	GA		
Ammar Alkhudairy, Chairman	Non Executive	108,500	Nil	108,500	
Alwaleed Al Dryaan	Independent	72,000	48,000	120,000	
Abdullah Al-Hussaini	Independent	Nil	48,000	48,000	
Patrice Couvegues	Non Executive	72,000	72,000	144,000	
Abdulrahman Al Sughayer	Non Executive	72,000	48,000	120,000	
Hugues de Roquette-Buisson	Non Executive	72,000	48,000	120,000	
Hicham Raissi	Non Executive	Nil	48,000	48,000	
Total	-	396,500	312,000	708,500	

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2016 there was no contract in which the Company was a party and it's Chief Executive Officer, Chief Financial Officer, Board Members or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2016 are related to the following activities:

Related Party	Relation Nature	Amount "SAR"	Period	Description
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrahman Al Sughayer & Mr. Patrice Couveignes	599,620,63	N.A	Portfolio Asset management based on best quotes provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrahman Al Sughayer & Mr. Patrice Couveignes	292,236,995	N.A	Banking & Asset Custody balances. The relation is based on best quotes & services provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrahman Al Sughayer & Mr. Patrice Couveignes	90,301,473	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz France owns 16.25% & is represented by Mr. Antoine Issa (replacing Mr. Hugues de Roquette-Buisson wef 12/01/2017). Allianz MENA Holding Bermuda owns 16.25% & is represented by Mr. Hicham Raissi.	98,361,666	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Saudi Nextcare	Allianz Saudi Fransi is a shareholder in Next Care Saudi Arabia	7,691,263	N.A	Claims Management "Medical"

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance.

f) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues including the strategy and business plans. Its primary objective is to oversee the day-to-day performance of the Company and to provide support and guidance to the CEO.

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management

- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2016
Hicham Raissi	Chairman
Patrice Couvignes	Member
Hugues de Roquette-Buisson (replaced by Antoine Issa wef 12/01/2017)	Member
Abdulrahman Al Sughayer	Member

The BOD Executive Committee met five times during 2016 with 80% attendance (90% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
18/02/2016	Patrice Couvignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	75%	75%
27/04/2016	Patrice Couvignes, Hugues de Roquette-Buisson.	50%	75%
09/10/2016	Hicham Raissi , Patrice Couvignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	100%	100%
17/10/2016	Hicham Raissi , Patrice Couvignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	100%	100%
24/11/2016	Hicham Raissi , Patrice Couvignes.	75%	100%

The above Executive Committee meetings covered the following major tasks:

- Discussed the Strategic Positioning of the Company.
- Regularly review the results of the Company.
- Regularly discussed update on Health Growth Strategy.
- Reviewed Medical Pricing Report 2016.
- Reviewed the Technical Service Agreements with Allianz and BSF.
- Checked updates on Senior Recruitments.

BOD Audit Committee

The BOD Audit Committee of "Allianz Saudi Fransi Cooperative Insurance Company" takes guidance from the Audit Committee Regulation in Insurance and/or Reinsurance Companies issued by SAMA's Insurance Supervision Department. Tasks and responsibilities of the Audit Committee include the following:

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.
- Submit recommendations to the Board to a) approve the appointment or reappointment, dismissal and remuneration of external auditors, b) appointing or dismissing the manager, the control department or the compliance officer, c) appointing or dismissing the manager of the internal audit department or the internal auditor, d) appoint the actuary. Above-mentioned recommendations require having obtained SAMA's non-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- Ensure the independence of the a) external auditors from the Company, the Board members and the senior management of the company, b) internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work, c) compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.

- Ensuring the Company has a written code of conduct duly approved by its Board of Directors to ensure that the Company's activities are conducted in a fair and ethical manner.
- Reviewing the audit plan of the internal and external auditors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Coordinating between internal and external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors reports and reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing, approving and monitoring the implementation of the compliance plan and the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the actuary reports and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Reviewing the internal and external auditors' assessment of the internal control Saudi Arabian Monetary Authority Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors, the internal audit department or the internal auditor, and the compliance control department or the compliance officer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.
- Reviewing and recommending the approval of the annual and quarterly financial statements to the Board of Directors before issuing them.
- Reviewing the external auditor's comments on the financial statements and follow up actions taken about them.
- Reviewing intra-group transactions and related parties transactions.
- Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board.
- Ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place.
- Ensure that all financial transactions are according to the local rules and regulations.
- The Audit Committee members are accountable to SAMA, the Company's shareholders and the Board for implementing the articles of SAMA's "Audit Committee Regulation in Insurance and/or Reinsurance Companies" and executing the committee's action plan issued by a Board's decision.
- The committee members should, while performing their tasks, give priority to the company's interest against any other considerations that might affect their work or decisions.
- To review the following topics with the external auditors:
 - Key amendments made by the Company to its accounting policies.
 - Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
 - Violations of Laws, Regulations and Instructions issued by the supervisory and control entities or non-compliance with the Company's policies and procedures.
 - Comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
 - Deficiencies in the general structure and performance of internal controls systems.
 - Material errors in financial statements.
 - Management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.
 - Accounting principles and standards and disclosure decisions related to extraordinary transactions.
 - Adequacy of technical provision and reserves set by the Actuary.
 - Actuary's Reports relevant to the Financial Statements.
 - Any major problems in dealing with the management that affected the working of the audit.
 - Internal control and the assessment of the Company's assets and solvency.
 - Any other issues that the committee is aware of and falls within its responsibilities.
 - Any amendments introduced to the audit scope and the reasons thereof.
 - Reviewing letters to management prepared by the external auditors and the Company's management comments thereon.

The Committee comprises the following members:

BOD Audit Committee	As of 31 Dec 2016
Abdullah Al-Hussaini	Member
Alwaleed Al Dryaan	Member
Mohammed Al Shawabkeh	Member

The Committee's Chairman will be appointed upon receiving SAMA's Non-Objection.

The Audit Committee met six times during 2016 with 94.4% attendance (94.4% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
13/01/2016	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammad AlShawabkeh.	100%	100%
18/01/2016	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammad AlShawabkeh.	100%	100%
17/02/2016	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammad AlShawabkeh.	100%	100%
18/04/2016	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammad AlShawabkeh.	100%	100%
27/07/2016	Hugues de Roquette-Buisson, Mohammad AlShawabkeh.	67%	67%
17/10/2016	Abdullah Al-Hussaini, Alwaleed Al Dryaan, Mohammad AlShawabkeh.	100%	100%

There is no financial or family relationship between the BOD members and the Audit Committee. Two Audit Committee members, Abdullah Al-Hussaini and Alwaleed Al Dryaan, are both independent Members of the Board of Directors.

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and recommended the quarterly and annual financial statements and reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Audit Committee Charter.
- Reviewed the Internal Audit Plan 2016.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures and submitted to the Board of Directors for approval.
- Reviewed the Corporate Governance Manual.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.
- Reviewed the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 20 missions (9 regular and 11 ad-hoc) during 2016 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance and Sales as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are regularly reviewed by the Audit Committee.

The Company has also implemented a Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundering, Anti-Fraud, Code of Conduct and Anti-Corruption. The GRC is purely an internal committee that is not derived from the BOD. It comprises of Top Management members, Risk Officers and the Internal Audit Team. The GRC met thrice during 2016 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

The internal controls have been effectively implemented and the Audit Committee is regularly reviewing the outcome of the internal audit on those controls. No significant deficiencies have been noted.

BOD Investment Committee members

To oversee the Investment Function ensuring that investments contribute towards the company's overall goal of providing an acceptable return on equity capital and policyholders' funds; and generate adequate returns while minimizing the risk of losing the amount invested due to credit events. The emphasis shall also be on liquidity on investments to ensure that the company can meet all its liabilities.

The Investment Committee reports to the Board and its main responsibilities are:

- Assess the investment recommendation made by the top management.
- Formulate the investment policy and review the implementation of the investment activities on a quarterly basis. These activities include but are not limited to:
 - Reviewing the performance of each asset class.
 - Monitoring the overall risks of the policy.
 - Submitting a performance review report to the Board of Directors.
- Set the investment strategy in accordance with the investment policy approved by the BoD.
- Ensure the proper implementation of the investment policy/strategy on a quarterly basis.
- Establishing and reviewing Investment guidelines for the Company.
- Establishing and reviewing quality criteria for the Company's investment and strategy.
- Establishing and reviewing guidelines for the Company's portfolio structure.
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager.
- Investment income and performance review against the plan.
- Review the compliance of all investment activities with the requirements of the Investment Regulation issued by SAMA and any other applicable laws and regulations.
- Review the monthly report prepared by the Management regarding the activities of the period, the portfolio structure and composition, the risk exposure, the details of any regulatory or internal limits breached during the period as well as the actions taken; the activities planned for the future.

The Committee comprises the following members:

BOD Investment Committee	As of 31 Dec 2016
Hugues de Roquette-Buisson (replaced by Antoine Issa wef 12/01/2017)	Chairman
Abdulrahman Al Sughayer	Member
Abdullah Al-Hussaini	Member

The investment committee met four times during 2016 with 83% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
27/04/2016	Alwaleed Al Dryaan, Hugues de Roquette-Buisson	67%	100%
27/07/2016	Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	67%	100%
17/10/2016	Hugues de Roquette-Buisson, Abdulrahman Al Sughayer, Abdullah Al-Hussaini	100%	100%
24/11/2016	Hugues de Roquette-Buisson, Abdulrahman Al Sughayer, Abdullah Al-Hussaini	100%	100%

The above Investment Committee meetings covered the following major tasks:

- Reviewed the Company's portfolio structure.
- Reviewed the Company's investment performance.
- Checked the Company's Year to Date transactions.

Nomination & Remuneration Committee

The duties and responsibilities of the Nomination & Remuneration Committee are mainly:

- Recommend appointments to the Board appointments of membership to the Board of Directors and of Top Executives in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honor or honesty is nominated for such membership.

- Regularly review the structure and composition of the Board of Directors and recommend changes.
- Assess and monitor the independence of Board and Board committee members and ensure the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis.
- Determine strengths and weaknesses of the BOD and the Committees and recommend remedies.
- Prepare description of required capabilities and qualifications for membership in the BOD, including the time that a Board member should reserve for the activities of the Board.
- Carve clear policies regarding the indemnities and remuneration of the Board Members, Board committees and senior activities.
- Approve and evaluate the compensation and succession plans, policies and programs of the Company.
- Make recommendations to the Board with regards to selecting and dismissing members of Senior Executives.
- Provide recommendations to the Board of Directors on various issues related to nomination and remuneration.
- Ensure that an annual remuneration review is conducted independently of executive management (by internal audit or external specialized firm).

The Nomination & Remuneration Committee (N&R) comprises the following:

BOD Nomination & Remuneration Committee	As of 31 Dec 2016
AlWaleed Al Dryaan	Chairman
Hicham Raissi	Member
Abdullah Al-Hussaini	Member
Abdulrahman Al Sughayer	Member

The N&R committee met three times during 2016 with 80% attendance (80% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
14/02/2016	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	67%
28/04/2016	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	67%
24/11/2016	Alwaleed Al Dryaan, Hicham Raissi, Abdullah Al-Hussaini, Abdulrahman Al Sughayer	100%	100%

The above N&R committee meetings covered the following major tasks:

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2016 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.

Risk Committee

Following the approval of the Ordinary General Assembly that was held on 28/04/2016 and as dictated by SAMA's Insurance Corporate Governance Regulation, the Board of Directors created the Board Risk Committee. Its objective is to oversee the Risk Management Function ensuring the identification of risks that may imperil the Company and maintain an acceptable risk profile.

The duties and responsibilities of the Risk Committee are:

- Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company.
- Overseeing the risk management system and assessing its effectiveness.
- Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company.
- Reviewing risk management policies.
- Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g. through stress testing exercises).

- Reporting to the Board details of risk exposures and recommending actions to manage them.
- Advising the Board on issues related to risk management.

The Risk Committee comprises the following:

BOD Risk Committee	As of 31 Dec 2016
Abdulrahman Al Sughayer	Chairman
Hicham Raissi	Member
Abdullah Al-Hussaini	Member

The Risk committee met once during 2016 with 100% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
24/11/2016	Abdulrahman Al Sughayer, Hicham Raissi, Abdullah Al-Hussaini	100%	100%

The above Risk Committee meeting covered the following topics:

- Introduced the Risk Committee Charter.
- Discussed the roles and responsibilities of the CRO.
- Introduced Allianz SF's Risk Management Framework.
- Introduced Allianz SF's Risk Appetite Framework.

h) Risk Management

During 2016, Allianz Saudi Fransi succeeded in aligning again risk management activities with corporate strategy and objectives to preserve the shareholders' value.

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations. The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes.

The Risks are mentioned here below:

Operational/ Process Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputational loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and Management ensures that sufficient funds are available to meet any commitments as they arise.

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.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its bank balances and available for sale investments.

Currency Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices

(other than those arising from interest 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 limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

Fund Price Risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

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.

Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

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 is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

k) Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 5,363,143 for Zakat and Tax in 2016 against SAR 5,255,887 allocated in 2015.

The Company confirms that it does not have any loans as of 31st December 2016.

The following table shows a list of legal expenses for the year ended December 31st, 2016 (The amounts charged in 2016 & the related paid amounts as at December 31st, 2016).

SAR Million	2016		2015		2014	2013	2012
	Paid	Charged	Paid	Charged		Charged*	
Customs Expenses	-	-	-	-	-	-	-
Zakat & Tax	-	5.3	2.0	5.2	4.4	4.0	3.0
GOSI Expenses	4.4	3.1	3.6	2.5	2.5	2.3	2.0
Visa & Passports	0.2	0.2	0.4	0.4	0.3	0.4	0.4
Inspection & Supervision Fees	3.6	5.4	4.7	5.0	4.2	4.3	3.9
Total	8.2	14.0	10.7	13.1	11.4	11.0	9.3

* Charged amounts represent the amounts due as at December 31st 2016, plus any amounts paid related to 2016, in other words it is the gross amounts spent for the year ended December 31st, 2016 (Paid and Due).

11. Future Plans

The Company will continue its Renewal Agenda and growth in the market in line with its vision and as per the following strategy:

Direct Sales Force: In 2017, the Company will focus on growth in terms of number of sales people as well as points of sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality.

Bancassurance: In 2017, the focus of the Company will be on further improving the productivity of the Bancassurance agency and corporate business by leveraging the strong relations of our partner Banque Saudi Fransi with its corporate and commercial client base.

Corporate: Corporate Business continues to remain a priority of the Company. In 2017, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Digitalization & Automation: In 2017 Digital initiatives will be streamlined to enhance customer satisfaction and ensure a better customer experience, which should contribute to increasing the persistency of the portfolio. Motor Insurance Automation will be introduced to facilitate a faster service to our Claims customers as well as digitalize the sales process of our Motor Insurance Product.

Motor and Health Profitability and development : In line with its Risk Strategy for 2017, the Company will continue to apply high-level technical standards and guidelines. It will review profitability per Line of Business and adjust the pricing strategy accordingly. Furthermore, the Company will ensure sound and prudent technical reserving practices. Special focus will be given to growth in the Health Sector as part of the company's new strategy.

Talent Management: During 2017 the company will continue its investments in human resources to attract and develop young talents and prepare future managers. The company builds on defining career paths and training programmes to achieve satisfaction and effectiveness among all employees.

True Customer Centricity: In 2017 the company will continue working towards the goal of achieving deeper understanding of customer needs and higher satisfaction by regularly rolling out NPS (Net Promoter Score) Campaigns. A new Call Center was established in December 2016 to handle all customer inquiries and feedback.

12. External Independent Auditors and Accounting Standard

In 2016, the Ordinary General Assembly approved the BOD recommendation of renewing "Aldar" and "KPMG" as joint external auditors for the fiscal year ended 31st December 2016. The external auditors mandate has been renewed as per the board approval following biddings submitted by 5 firms, as well as the company's General Assembly approval.

The financial statements as at 31st December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance to the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by the Saudi Organization of Certified Public Accountants (SOCPA).

The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2016 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

- Sheikh Dr. Muhammad A. Elgari
- Sheikh Abdullah Al Manea
- Sheikh Dr. Abdul Sattar AbuChuddah

The committee reviews and approves Shariah Compliant Protection & Savings products of the Company.

14. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper accounting books have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no doubts concerning the Company's ability to continue as a going concern.



FINANCIAL STATEMENT

And the Independent Auditors' Report

For the year ended 31 December 2016

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of
Allianz Saudi Fransi Cooperative Insurance Company

(A Saudi Joint Stock Company)

Scope of Audit

We have audited the accompanying statement of financial position of Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2016, and the related statements of income - insurance operations and shareholders' operations, statements of comprehensive income - insurance operations and shareholders' operations, the statement of changes in shareholders' equity and statements of cash flows - insurance operations and shareholders' operations for the year then ended and the related notes 1 to 33 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 the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion:

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of a 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 accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

KPMG Al Fozan & Partners
Certified Public Accountants
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Aldar Audit Bureau
Abdullah Al Basri & Co
P.O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia

2 Jumada'II 1438H

1 March 2017

Abdullah Hamad Al Fozan
Certified Public Accountant
License No. 348

Abdullah M. Al Basri
Certified Public Accountant
Registration No. 171



Statement of Financial Position

As at 31 December 2016

	Note	2016 SAR	2015 SAR
Insurance Operations' Assets			
Cash and cash equivalents	6	77,221,164	55,244,050
Prepayments and other assets	7	11,981,291	12,589,673
Reinsurance balances receivable	8(a)	74,105,195	29,468,288
Premiums receivable	9	412,043,857	291,417,048
Available for sale investments	10(a)	60,141,396	59,303,915
Unit linked investments	11	592,651,654	586,968,627
Deferred policy acquisition costs	12	22,089,024	21,958,291
Reinsurers' share of unearned premiums	19	236,460,497	258,240,391
Reinsurers' share of outstanding claims	16	267,460,349	375,507,934
Property and equipment	13	2,389,375	1,776,096
Total Insurance Operations' Assets		1,756,543,802	1,692,474,313
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	16,272,417	1,565,454
Prepayments and other assets	7	2,172,085	2,508,050
Due from insurance operations		18,772,461	23,915,601
Available for sale investments	10(b)	180,253,582	167,391,371
Statutory deposit	14	20,000,000	20,000,000
Returns on investment of statutory deposit	14	679,569	476,815
Total Shareholders' Assets		238,150,114	215,857,291
Total Insurance Operations And Shareholders' Assets		1,994,693,916	1,908,331,604

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of Financial Position (Continued)

As at 31 December 2016

	Note	2016 SAR	2015 SAR
Insurance Operations' Liabilities And Surplus			
Accrued expenses and other liabilities	15	41,732,085	38,140,389
Reinsurance balances payable	8(b)	218,754,741	137,306,805
Due to shareholders' operations		18,772,461	23,915,601
Premiums deficiency reserves	28	6,077,722	-
Outstanding claims	16	386,130,152	447,928,965
Unit linked liabilities	17	593,706,572	592,851,492
Unearned commission income	18	11,951,608	15,230,473
Unearned premiums	19	459,257,288	422,585,925
Employees' end of service benefits	20	12,828,431	11,786,168
Total insurance operations' liabilities		1,749,211,060	1,689,745,818
Insurance Operations' Surplus			
Accumulated surplus		7,736,872	5,084,834
Fair value reserve for available for sale investments	10(a)	(404,130)	(2,356,339)
Total insurance operations' liabilities and surplus		1,756,543,802	1,692,474,313
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Accrued expenses and other liabilities	15	50,365	185,698
Deferred return on investment of statutory deposit	14	679,569	476,815
Zakat and income tax payable	21(c)	16,065,894	14,271,442
Total Shareholders' Liabilities		16,795,828	14,933,955
Shareholders' Equity			
Share capital	22	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(448,379)	(19,514,783)
Fair value reserve for available for sale investments	10(b)	(908,650)	(2,273,196)
Total Shareholders' Equity		221,354,286	200,923,336
Total Shareholders' Liabilities and Equity		238,150,114	215,857,291
Total insurance operations liabilities and surplus and shareholders' liabilities and equity		1,994,693,916	1,908,331,604

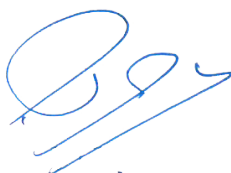
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Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of Income of Insurance Operations

For the year ended 31 December 2016

	Note	2016 SAR	2015 SAR
Gross written premiums	23	836,272,030	803,213,312
Reinsurance premiums ceded	23	(277,831,399)	(342,843,069)
Net written premiums		558,440,631	460,370,243
Changes in unearned premiums	23	(36,671,363)	(133,721,673)
Changes in reinsurance share of unearned premiums	23	(21,779,894)	61,528,341
Net change in unearned premiums	23	(58,451,257)	(72,193,332)
Net premiums earned	23	499,989,374	388,176,911
Commission earned	18	17,539,744	18,817,375
Unrealized gain on unit linked investments		14,597,069	675,883
Other income		7,995,488	6,448,057
Total revenues		540,121,675	414,118,226
Gross claims paid	16	(462,230,844)	(553,611,528)
Reinsurance share of claims paid	16	132,015,478	266,744,790
Net claims paid		(330,215,366)	(286,866,738)
Changes in gross outstanding claims		61,798,813	(170,773,666)
Changes in reinsurance share of outstanding claims		(108,047,585)	179,716,100
Changes in Net outstanding claims		(46,248,772)	8,942,434
Net claims incurred		(376,464,138)	(277,924,304)
Change in premium deficiency reserves	28	(6,077,722)	-
Change in unit linked liabilities	17	(855,080)	772,420
Commission expenses	12	(48,919,227)	(38,910,499)
Inspection and supervision fees		(5,424,965)	(5,047,421)
General and administrative expenses	24	(75,860,157)	(70,533,043)
Total claims and expenses		(513,601,289)	(391,642,847)
Net surplus for the year		26,520,386	22,475,379
Net surplus transferred to statement of income of shareholders' operations		(23,868,347)	(20,227,841)
Net insurance operations surplus after shareholders' appropriation for the year		2,652,039	2,247,538

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of Comprehensive Income of Insurance Operations

For the year ended 31 December 2016

	Note	2016 (SAR)	2015 (SAR)
Net insurance operations surplus after shareholders' appropriation for the year		2,652,039	2,247,538
Other comprehensive income to be reclassified subsequently to the statement of income - insurance operations when conditions are met in the future			
Fair value change in available for sale investments	10(a)	1,952,208	(1,547,524)
Transferred to realised gain on disposal of available for sale investments to the statement of income - insurance operations		-	(311,010)
Total comprehensive income/(loss) for the year		4,604,247	389,004

Statement of income of shareholders' operations

For the year ended 31 December 2016

	Note	2016 (SAR)	2015 (SAR)
Special commission income		3,582,903	4,835,356
Realised (loss) / gain on available for sale investments		111,559	(375,194)
Total revenues		3,694,462	4,460,162
Net surplus transferred from statement of income - insurance operations		23,868,347	20,227,841
General and administrative expenses	24	(3,133,262)	(852,466)
Net income for the year		24,429,547	23,835,537
Basic and diluted earnings per share	27	1.22	1.19

Statement of Comprehensive Income of Shareholders' Operations

For the year ended 31 December 2016

	Note	2016 (SAR)	2015 (SA)
Net income for the year		24,429,547	23,835,537
Other comprehensive income to be reclassified subsequently to the statement of income - shareholders' operations			
Fair value change in available for sale investments	10(b)	1,476,105	(2,809,022)
Transferred to realized loss/(gain) on disposal of available for sale investments to the statement of income - shareholders' operations		(111,559)	375,194
Total comprehensive income for the year		25,794,093	21,401,709

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of Changes In Shareholders' Equity

For the year ended 31 December 2016

	Share Capital SAR	Share Premium SAR	Accumulated Losses SAR	Unrealised gain / (loss) on available for sale investments SAR	Total SAR
Balance as at 1 January 2015	200,000,000	22,711,315	(38,094,433)	160,632	184,777,514
Net income for the year	-	-	23,835,537	-	23,835,537
Other Comprehensive income:	-	-	-	-	-
- Fair value change in available for sale investments	-	-	-	(2,809,022)	(2,809,022)
- Transferred to statement of income of shareholders' operations	-	-	-	375,194	375,194
Total comprehensive income / (loss) for the year	-	-	23,835,537	(2,433,828)	21,401,709
- Provision for zakat and income tax (Note 21)	-	-	(5,255,887)	-	(5,255,887)
Balance as at 31 December 2015	200,000,000	22,711,315	(19,514,783)	(2,273,196)	200,923,336
Balance as at 1 January 2016	200,000,000	22,711,315	(19,514,783)	(2,273,196)	200,923,336
Net income for the year	-	-	24,429,547	-	24,429,547
Other Comprehensive income:	-	-	-	-	-
- Fair value change in available for sale investments	-	-	-	1,476,105	1,476,105
- Transferred to statement of income of shareholders' operations	-	-	-	(111,559)	(111,559)
Total comprehensive income / (loss) for the year	-	-	24,429,547	1,364,546	25,794,093
- Provision for zakat and income tax (Note 21)	-	-	(5,363,143)	-	(5,363,143)
Balance as at 31 December 2016	200,000,000	22,711,315	(448,379)	(908,650)	221,354,286

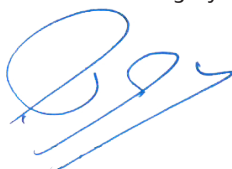
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Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of cash flows of insurance operations

For the year ended 31 December 2016

	Note	2016 SAR	2015 SAR
Operating Activities			
Insurance operations' surplus after shareholders' appropriation		2,652,039	2,247,538
Investment Premium Amortization		1,114,727	-
Employees' end of service benefits	20	2,234,651	2,837,801
Depreciation	13	747,369	1,141,571
Provision for doubtful reinsurance receivables	8(a)	(1,000,000)	2,606,067
Provision for doubtful receivables	9	(1,846,722)	1,288,658
Gain on disposal property and equipment		-	(6,060)
Gain on disposal of available for sale investments		-	(311,010)
Unrealized gains on unit linked investments		(14,597,069)	675,883
Shareholders' appropriation from insurance operations' surplus		23,868,347	20,227,841
Operating surplus before changes in operating assets and liabilities		13,173,342	30,708,289
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		(130,733)	(8,120,632)
Unit linked investments		8,914,042	(561,731)
Reinsurance balances receivable		(43,636,907)	7,331,686
Premiums receivable		(118,780,087)	(59,691,763)
Prepayments and others assets		608,382	1,732,067
Unearned premiums		58,451,257	72,193,332
Unit linked liabilities		855,080	(772,420)
Outstanding claims		46,248,772	(8,942,434)
Premium deficiency reserves		6,077,722	-
Unearned commission income		(3,278,865)	2,934,991
Reinsurance balances payable		81,447,936	(51,531,413)
Accrued expenses and other liabilities		3,591,696	18,465,924
Cash from operations		53,541,637	3,745,896
Employees' end of service benefits paid	20	(1,192,388)	(1,115,592)
Net cash from operating activities		52,349,249	2,630,304
Investing Activities			
Purchase of property and equipment	13	(1,360,648)	(812,830)
Proceed from sale of property and equipment		-	6,060
Purchase of available for sale investments	10(a)	-	(4,909,192)
Proceeds from sale of available for sale investments	10(a)	-	10,348,576
Net cash from / (used in) investing activities		(1,360,648)	4,632,614
Financing Activities			
Due to shareholders operations		(29,011,487)	(15,000,000)
Net cash used in financing activities		(29,011,487)	(15,000,000)
Increase / (Decrease) In Cash And Cash Equivalents		21,977,114	(7,737,082)
Cash and cash equivalents at the beginning of the year		55,244,050	62,981,132
Cash And Cash Equivalents At The End Of The Year	6	77,221,164	55,244,050
Non-cash supplemental information:			
Changes in fair value of available for sale investments	10(a)	1,952,208	(1,547,524)

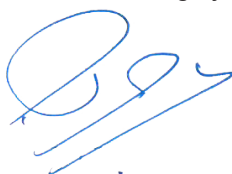
The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Statement of cash flows of shareholders' operations

For the year ended 31 December 2016

	Notes	2016 SAR	2015 SAR
Operating Activities			
Net income for the year		24,429,547	23,835,537
Adjustments for:			
Investments Premium Amortization		1,247,323	-
Realized loss/(gain) on available for sale investments		(111,559)	375,194
Shareholders' appropriation from insurance operations' surplus		(23,868,347)	(20,227,841)
Operating surplus before changes in operating assets and liabilities		1,696,964	3,982,890
Changes in operating assets and liabilities:			
Prepayments and other assets		335,965	(1,938,437)
Accrued expenses and other liabilities		(135,333)	136,899
Cash from operations		1,897,596	2,181,352
Zakat and income tax paid during the year	21(c)	(3,568,691)	(1,537,372)
Net cash (used in) / from operating activities		(1,671,095)	643,980
Investing Activities			
Purchase of available for sale investment	10(b)	(34,011,487)	(45,364,374)
Proceeds from sale of available for sale investments	10(b)	21,378,058	25,580,767
Net cash used in investing activities		(12,633,429)	(19,783,607)
Financing activity			
Due from insurance operations		29,011,487	15,000,000
Net cash from financing activities		29,011,487	15,000,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		14,706,963	(4,139,627)
Cash and cash equivalents at the beginning of the year		1,565,454	5,705,081
Cash and cash equivalents at the end of the year	6	16,272,417	1,565,454
Non-cash supplemental information:			
Changes in fair value of available for sale investments	10(b)	1,476,105	(2,809,022)

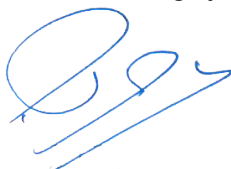
The accompanying notes 1 to 33 form part of these financial statements

Xavier Denys



Chief Executive Officer

Abdulrahman Al Sughayer



Board Member

Mohammed Koubar



Chief Financial Officer

Notes To The Interim Condensed Financial Statements

At 31 December 2016

1. Organization And Principal Activities

Allianz Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its 6 branches in the Kingdom of Saudi Arabia as at 31 December 2016 (2015: 5 branches). The registered office of the Company is located at Al Safwa Commercial Building, P.O. Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock exchange on 9 Rajab 1428H, corresponding to 23 July 2007.

2. Basis Of Preparation

Basis of measurement

The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and financial liabilities held at Fair Value through Income Statement (FVIS) investments and Available For Sale (AFS) investments.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2016 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. 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 accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

In accordance with the Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of net annual surplus from insurance operations to policy holders and the remaining 90% of the surplus to be transferred to the shareholders' operations and losses to be borne by shareholders' operations.

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 Articles of Association for any changes to align the Articles to the provisions of The Law. Consequently, the Company shall present the amended Articles of Association to the shareholders in their 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).

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

3. New Standards, Amendments to Standards and Interpretation

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations. In the current year, the Company has applied number of amendments to IFRS and new interpretations issued by International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2016. The adoption of new standards, amendments and revisions to existing standards, as mentioned below, had no significant financial impact on the financial statements of the Company:

New and amendments to existing standards

- Annual improvements to IFRSs 2012 – 2014
- Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.
- Disclosure initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.

Disclosure initiative (Amendments to IAS 7)

Amendments to IAS 7 "Statement of Cash Flows", applicable for the annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

IAS 12 Income taxes

Amendments to IAS 12 "Income Taxes", applicable for the annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

IFRS 2 Share-based payment

Amendments to IFRS 2 "Share-based Payment", applicable for the period beginning on or after 1 January 2018. The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled.

IFRS 15 Revenue from contracts with customers

IFRS 15 "Revenue from contracts with customers", applicable for the annual periods beginning on or after 1 January 2018. The new standard presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard will have a significant impact on how and when you recognize revenue, with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred.

IFRS 16 Leases

IFRS 16 "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

4. Summery Of Significant Accounting policies

The significant accounting policies adopted are as follows:

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income - insurance operations and statement of income shareholders' operations as they are consumed or expire with the passage of time.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Unearned commission income

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

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of income as incurred. The cost of Property and equipment, net is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

■ Computer and office equipment	4 years
■ Motor vehicles	4 years
■ Furniture and fittings	7 years

An item of Property and equipment, net and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income - insurance operations when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment, net are reviewed at each financial year end and adjusted prospectively, if appropriate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Reinsurance

The Company cedes insurance risk in the normal course of business for a portion of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsurance policies and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in statement of income - insurance operations. 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. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Gains or losses on buying reinsurance are recognised in the statement of income - insurance operations immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the date of acquisition.

Provisions

Provisions are recognised 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.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income - insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Receivables
- Available for sale financial assets

The Company has no held to maturity investments or derivatives.

Premiums receivable

Premium receivables are non-derivative financial assets with fixed or determinable payments. These are recognized when due and are measured initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income - insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Available for sale investments

Available for sale investments are those equity and debt securities which are neither classified as Held for Trading nor designated as FVIS, that are intended to be held for an unspecified period of time, which may be sold in response to changes in market conditions. Unrealised gains or losses arising from changes in fair value of investments are shown either in the statement of comprehensive income - shareholder's operations or as a separate component in the insurance operations' surplus. Realised gains or losses on sale of these investments and commission income are reported in the related statements of insurance operations or shareholder's operations. Any permanent decline in value of investments is adjusted for and reported in the related statement of income -insurance operations or shareholders operations, as impairment charges.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired:
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the statements of income - shareholders' operations and insurance operations. Impairment is determined as follows:

- i. For assets carried at fair value, impairment loss is based on the decline in fair value
- ii. For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset
- iii. For assets carried at amortised cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate

Revenue recognition

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- i. Last three months from the period in respect of marine cargo;
- ii. Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- iii. Actual number of days for other lines of business.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income - insurance operations in the same order that revenue is recognised over the period of risk.

Dividend income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognised from the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Claims

These include the cost of claims and claims handling expenses paid during the year, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. Total outstanding claims comprise estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date, net of salvage and other recoveries including claims handling expenses.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratio which are reviewed at regular intervals by the Company's independent actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of property.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract

Deferred acquisition costs (DAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future premiums. Amortisation is recorded in the statement of income of insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of income of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

Unit linked investments

Unit linked investments are assets backing liabilities arising from insurance contracts and are classified as 'held for trading' assets and are designated at fair value through income statement. Any change in fair value is recognized in statement of income – Insurance operations.

Insurance contract are those contracts that have significant insurance risk and the Company classifies the unit linked investments as insurance contracts based on the associated death and disability features.

Unit linked liabilities

The unit linked liabilities were determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of life risk attaching to the contracts. These additional provisions were calculated using stochastic techniques.

Zakat and income tax

In accordance with the regulations of the General Authority for Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of changes in shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and and/ or net income using the basis defined under the regulations of GAZT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders.

Zakat and income tax are charged in full to the retained earnings. Income tax charged to the retained earnings, in excess to the proportion of the Saudi shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive

officer that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Motor insurance provides coverage against loss or damage to the motor vehicles caused by accident, fire or theft along with the coverage of third party liability as well;
- Engineering insurance provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance;
- Health care products provide medical cover to policyholders;
- Property insurance provides cover against accidental physical loss or damage to the property due to any cause including fire and allied perils and consequential losses associated with the perils insured;
- Other general insurance segment comprises of marine, credit, fidelity guarantee insurance and liability;
- Protection and saving segment includes a variety of savings products designed to meet the needs of individuals as well as corporate institutions.

If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income - shareholders' operations and insurance operations.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statements of income - shareholders' operations and insurance operations unless required or permitted by any accounting standard or interpretation

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales 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.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 10% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. Due to accumulated losses, no such transfer has been made for the year ended December 31, 2016.

5. Significant Accounting Estimates and Assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and contingent 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 asset or liability 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 significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment of investments

The Company treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (if any).

Technical reserves for insurance activities

The estimation of the ultimate liability arising from claims made under general and protection and saving insurance contracts is the Company’s most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims net of reinsurance share which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to that date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. The mathematical reserve for protection and saving insurance contracts is calculated on the basis of management assumptions that include prudent prospective external actuarial valuation method and current unit fund prices.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property, engineering and large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations.

6. Cash and Cash Equivalents

	2016 (SAR)		2015 (SAR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash on hand	1,084,470	-	1,016,976	-
Cash at banks – Current accounts	38,971,527	16,272,417	54,227,074	1,565,454
Cash at banks – Short-term Deposits	37,165,167	-	-	-
	77,221,164	16,272,417	55,244,050	1,565,454

Cash at bank is placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of less than three months from the date of original acquisition depending on the immediate cash requirements of the Company.

7. Prepayments and Other Assets

	2016 (SAR)		2015 (SAR)	
	Insurance operation	Shareholders' operations	Insurance operation	Shareholders' operations
Receivable for unit linked investments	6,968,621	-	8,010,171	-
Prepaid rent	1,130,396	-	1,211,260	-
Accrued investment income	930,894	2,172,085	1,074,879	2,508,050
Other assets	2,951,380	-	2,293,363	-
	11,981,291	2,172,085	12,589,673	2,508,050

8. Reinsurance Balances

Reinsurance balances receivable:	2016 SAR	2015 SAR
Reinsurance balances receivables	75,711,262	32,074,355
Provision for doubtful reinsurance receivables	(1,606,067)	(2,606,067)
Reinsurance balances receivables, net	74,105,195	29,468,288

Reinsurance balances payable:	2016 SAR	2015 SAR
Reinsurance balances due to related parties (note 25)	28,335,880	50,386,974
Reinsurance balances due to other parties	190,418,861	86,919,831
Total reinsurance balances payable	218,754,741	137,306,805

9. Premiums Receivable

Premiums receivable:	2016 SAR	2015 SAR
Premiums receivable	451,377,624	332,597,537
Provision for doubtful receivables	(39,333,767)	(41,180,489)
Premiums receivable, net	412,043,857	291,417,048

The ageing analysis of premiums receivable balances is set out below.

2016 Amount in SAR	Past due not impaired			Past due and impaired	
	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	451,377,624	231,013,822	117,740,683	44,731,258	57,891,861
Provision for doubtful receivables	(39,333,767)	-	-	(6,709,689)	(32,624,078)
Premiums receivable, net	412,043,857	231,013,822	117,740,683	38,021,569	25,267,783

2015 Amount in SAR	Past due not impaired			Past due and impaired	
	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	332,597,537	73,961,528	103,569,017	56,710,591	98,356,401
Provision for doubtful receivables	(41,180,489)	-	-	(5,612,074)	(35,568,415)
Premiums receivable, net	291,417,048	73,961,528	103,569,017	51,098,517	62,787,986

The Company classifies balances as “past due and impaired” on a case by case basis and an impairment adjustment is recorded in the statement of income - insurance operations. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

The movement in the allowance for doubtful receivables is as follows:

	2015 SAR	2015 SAR
Balance at the beginning of the year	41,180,489	39,891,831
(Released) / provided during the year	(1,846,722)	1,288,658
Balance at the end of the year	39,333,767	41,180,489

10. Available for Sale Investments

Investments are classified as follows:

a) Insurance operations' available for sale investments:

Quoted	2016 SAR	2015 SAR
Sukuk – Fixed rate	5,000,000	5,000,000
Bonds – Floating rate	5,011,110	4,893,281
Bonds – Fixed rate	45,339,834	44,586,986
Mutual Funds	4,790,452	4,823,648
Total	60,141,396	59,303,915

The cumulative unrealised loss in fair value of available for sale investments amounted to SR 404,130 (31 December 2015: loss of SR 2,356,339) is presented within the insurance operations' surplus in the statement of financial position.

The available for sale investments comprise of bonds and mutual funds issued by corporate and financial institutions in the Kingdom of Saudi Arabia and GCC countries.

Bonds – Fixed rate is rated "AA" and Bonds – Floating rate is rated "A" by Standard & Poor's however Funds are unrated.

The movement in insurance operations' available for sale investments is as follows:

	2016 SAR	2015 SAR
Balance at the beginning of the year	59,303,915	66,290,823
Acquisitions during the year	-	4,909,192
Disposals during the year	-	(10,348,576)
Investment Premium Amortization	(1,114,727)	-
Unrealised (loss)/gain on available for sale investments	1,952,208	(1,547,524)
Balance at the end of the year	60,141,396	59,303,915

b) Shareholders' available for sale investments:

	2016 (SAR)		
	Quoted	Unquoted	Total
Sukuk – Floating rate	-	25,000,000	25,000,000
Sukuk – Fixed rate	31,911,167	25,000,000	56,911,167
Bonds – Fixed rate	78,610,062	-	78,610,062
Bonds – Floating	-	12,000,000	12,000,000
Mutual Funds	4,509,275	-	4,509,275
Equities	-	3,223,078	3,223,078
Total	115,030,504	65,223,078	180,253,582

	2015 (SAR)		
	Quoted	Unquoted	Total
Sukuk – Floating rate	-	30,000,000	30,000,000
Sukuk – Fixed rate	-	25,000,000	25,000,000
Bonds – Fixed rate	99,998,904	-	99,998,904
Mutual Funds	9,169,389	-	9,169,389
Equities	-	3,223,078	3,223,078
Total	109,168,293	58,223,078	167,391,371

The cumulative unrealised loss in fair value of available for sale investments amounted to SR 908,650 (31 December 2015: loss of SR 2,273,196) is presented within the shareholders' equity in the statement of financial position.

The available for sale investments comprise of bonds and mutual funds issued by corporate and financial institutions in the Kingdom of Saudi Arabia and GCC countries.

As the fair values of the above unquoted Sukuk and equities are not readily available, these investments are carried at cost and reviewed by management for impairment.

The movement for shareholders' available for sale investments is as follows:

	2015 SAR	2015 SAR
Balance at the beginning of the year	167,391,371	150,416,786
Acquisitions during the year	34,011,487	45,364,374
Disposals during the year	(21,378,058)	(25,580,767)
Investment Premium Amortization	(1,247,323)	-
Unrealised (loss)/gain on available for sale investments	1,476,105	(2,809,022)
Balance at the end of the year	180,253,582	167,391,371

c) Credit standing of investments

Following is the credit standing of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	31 December 2016	31 December 2015
Very strong quality AA	S&P/ Moody's	Bonds / Sukuks	23,247,365	23,728,722
Strong quality A+	S&P	Bonds / Sukuks	33,422,886	120,626,531
Satisfactory quality A-	S&P	Sukuk	89,123,771	4,911,855
Unrated	N/A	Equities/Sukuk/Mutual Funds	94,600,956	77,428,178

Very strong quality: Capitalisation, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitalisation, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

d) Determination of fair value and fair values hierarchy

As at 31 December, the financial instruments under insurance and shareholder operations are measured at fair value using Level 1 hierarchy for bonds and funds which are quoted in stock exchange.

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy;

i) Insurance Operations

	2016 (SAR)			
	Level 1	Level 2	Level 3	Total
Bonds	55,350,944	-	-	55,350,944
Mutual Funds	4,790,452	-	-	4,790,452
Total	60,141,396	-	-	60,141,396

	2015 (SAR)			
	Level 1	Level 2	Level 3	Total
Bonds	54,480,267	-	-	54,480,267
Mutual Funds	4,823,648	-	-	4,823,648
Total	59,303,915	-	-	59,303,915

ii) Shareholders' operations

	2016 (SAR)			
	Level 1	Level 2	Level 3	Total
Bonds and Sukuk	110,521,229	-	-	110,521,229
Mutual Funds	4,509,275	-	-	4,509,275
Total	115,030,504	-	-	115,030,504

	2015 (SAR)			
	Level 1	Level 2	Level 3	Total
Bonds and Sukuk	99,998,904	-	-	99,998,904
Mutual Funds	9,169,389	-	-	9,169,389
Total	109,168,293	-	-	109,168,293

There were no transfers between Level 1 and Level 2 fair value measurements, during the year ended 31 December 2016 and year ended 31 December 2015.

The unlisted available for sale securities amounting to SR 65,223,078 (December 2015: SR 58,223,078) is not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets as they relate to investments in government related entities. There are only limited numbers of brokers who carry out the trade of these investments and the price quoted is based on the availability of a willing buyer at any particular time. The management believes that the carrying amounts of these securities are not materially different from their carrying values.

11. Unit Linked Investments

The fair values for unit linked investments as at 31 December are:

	2016 SAR	2015 SAR
Local funds	573,078,698	572,531,152
Foreign funds	19,572,956	14,437,475
	592,651,654	586,968,627

Portfolios of the funds are as follows:

	2016 SAR	2015 SAR
Al Ghad/Al Anjal Low Risk Fund	258,350,657	274,005,052
Al Badr Fund Saudi Riyal	219,986,738	206,781,695
Al Ghad/Al Anjal Murabaha Fund	42,677,902	48,754,774
Al Saffa Equity Fund	43,331,027	35,004,159
Al Badr Fund US Dollar	10,684,380	6,307,425
Money Market Fund Saudi Riyal	5,096,944	4,509,318
Al Fursan Equity Fund US Dollar	3,592,484	3,961,129
Al Danah GCC Equity Fund	4,359,010	3,100,272
Saudi Istithmar Fund	2,444,264	2,594,446
Al Naqaa Asia Growth Fund US Dollar	2,128,248	1,950,357
	592,651,654	586,968,627

Unit Linked Assets are related to investments in unit linked funds. The Company has established unit linked liabilities which excluding some timing differences and reserves, matches exactly with the policyholder's unit linked assets.

The fair value of unit linked investments are measured based on the net assets value provided by fund manager. As the values of these investments are available from the market, the Company uses Level 1 hierarchy for determining and disclosing the fair value of above unit linked investments.

12. Deferred Policy Acquisition Costs

	2016 SAR	2015 SAR
Balance at the beginning of the year	21,958,291	13,837,659
Incurred during the year	49,049,960	47,031,131
Amortisation for the year	(48,919,227)	(38,910,499)
Balance at the end of the year	22,089,024	21,958,291

13. Property and Equipment

Cost:	2016 (SAR)			
	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Total SAR
At the beginning of the year	9,286,617	969,347	6,352,022	16,607,986
Additions during the year	1,015,117	-	345,531	1,360,648
Balance at the end of the year	10,301,734	969,347	6,697,553	17,968,634
Accumulated Depreciation:				
At the beginning of the year	8,464,330	895,825	5,471,735	14,831,890
Charge for the year	452,120	72,334	222,915	747,369
Balance at the end of the year	8,916,450	968,159	5,694,650	15,579,259
Net book value at 31 December 2016	1,385,284	1,188	1,002,903	2,389,375

Cost:	2015 (SAR)			
	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Total 2014 SAR
At the beginning of the year	8,835,950	1,012,347	5,989,859	15,838,156
Additions during the year	450,667	-	362,163	812,830
Disposals during the year	-	(43,000)	-	(43,000)
Balance at the end of the year	9,286,617	969,347	6,352,022	16,607,986
Accumulated Depreciation:				
At the beginning of the year	8,090,135	830,552	4,812,632	13,733,319
Charge for the year	374,195	108,273	659,103	1,141,571
Disposals during the year	-	(43,000)	-	(43,000)
Balance at the end of the year	8,464,330	895,825	5,471,735	14,831,890
Net book value at 31 December 2015	822,287	73,522	880,287	1,776,096

14. Statutory Deposit

In compliance with the Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 20 Million in a bank designated by SAMA. The accrued commission on the deposit as at 31 December 2016 is SR 679,569 (31 December 2015: SR 476,815) and has been disclosed in assets as "Deferred return on investment of statutory deposit" and the corresponding commission is shown in liabilities as "Deferred return on investment of statutory deposit". This deposit cannot be withdrawn without SAMA's consent. The statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company and rated "A" by Standard & Poor's Ratings Services.

15. Accrued Expenses And Other Liabilities

	2016 SAR		2015 SAR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accrued bonus	5,870,573	-	4,598,616	-
Inspection and supervision fees	2,153,820	-	2,317,433	-
Consultation and professional fees	833,997	-	584,419	-
Claims payable	30,541,473	-	29,187,938	-
Others	2,332,222	50,365	1,451,983	185,698
	41,732,085	50,365	38,140,389	185,698

16. Outstanding Claims

	2016 (SAR)		
	Gross	Reinsurance share	Net
General insurance	375,880,242	(261,535,321)	114,344,921
Protection and saving insurance	10,249,910	(5,925,028)	4,324,882
Total outstanding claims	386,130,152	(267,460,349)	118,669,803

	2015 (SAR)		
	Gross	Reinsurance share	Net
General insurance	434,010,697	(366,788,133)	67,222,564
Protection and saving insurance	13,918,268	(8,719,801)	5,198,467
Total outstanding claims	447,928,965	(375,507,934)	72,421,031

Movement of outstanding claims is as follows:

	2016			2015		
	SAR			SAR		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
As at 1 January						
Reported claims	292,010,152	(250,600,850)	41,409,302	256,717,296	(195,791,834)	60,925,462
IBNR	155,918,813	(124,907,084)	31,011,729	145,069,457	(124,631,454)	20,438,003
Total outstanding claims	447,928,965	(375,507,934)	72,421,031	401,786,753	(320,423,288)	81,363,465
Provided during the year	400,432,031	37,537,594	437,969,625	599,753,740	(321,829,436)	277,924,304
Paid during the year	(462,230,844)	132,015,478	(330,215,366)	(553,611,528)	266,744,790	(286,866,738)
As at 31 December	386,130,152	(205,954,862)	180,175,290	447,928,965	(375,507,934)	72,421,031
Reported Claims	239,418,512	(191,714,583)	47,703,929	292,010,152	(250,600,850)	41,409,302
IBNR	146,711,640	(75,745,766)	70,965,874	155,918,813	(124,907,084)	31,011,729
Total outstanding claims	386,130,152	(267,460,349)	118,669,803	447,928,965	(375,507,934)	72,421,031

17. Unit Linked Liabilities

	2016 (SAR)	2015 (SAR)
Balance at the beginning of the year	592,851,492	593,623,912
Change in unit linked liabilities during the year	855,080	(772,420)
Balance at the end of the year	593,706,572	592,851,492

Liabilities arising from insurance contracts where the risk is borne by policyholders relates to the value of unit linked contracts.

The technical provision relating to insurance contracts represent the excess of expected claims under these products over expected charges. The computation was made on the basis of recognized actuarial methods, with due regard to the actuarial principles.

18. Unearned Commission Income

	2016 (SAR)	2015 (SAR)
Balance at the beginning of the year	15,230,473	12,295,482
Commission received during the year	14,260,879	21,752,366
Commission earned during the year	(17,539,744)	(18,817,375)
Balance at the end of the year	11,951,608	15,230,473

19. Unearned Premiums

	2016 (SAR)	2015 (SAR)
Balance at the beginning of the year	164,345,534	92,152,202
Net premiums written during the year	558,440,631	460,370,243
Net premiums earned during the year	(499,989,374)	(388,176,911)
	222,796,791	164,345,534
Reinsurance share of unearned premium	236,460,497	258,240,391
Balance at the end of the year	459,257,288	422,585,925

20. Employees, End of Service Benefits

	2016 (SAR)	2015 (SAR)
Balance at the beginning of the year	11,786,168	10,063,959
Provided for the year	2,234,651	2,837,801
Paid during the year	(1,192,388)	(1,115,592)
Balance at the end of the year	12,828,431	11,786,168

21. Provision for Zakat and Income Tax

The provision for zakat and income tax for the year is set out below:

	2016 (SAR)	2015 (SAR)
Provision for zakat	3,509,169	3,219,633
Provision for income tax	1,853,974	2,036,254
	5,363,143	5,255,887

(a) Zakat

The current year's provision is based on the following:

	2016 (SAR)	2015 (SAR)
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	67,625,285	43,588,227
Closing value of long term assets	(51,007,646)	(50,996,649)
	216,617,639	192,591,578
Zakatable income for the year	28,864,619	31,851,314
Zakat base	245,482,258	224,442,892
Total Saudi share of zakat base	140,366,755	128,785,332
Zakat due at 2.5% on Saudi shareholding	3,509,169	3,219,633

The differences between the income as per financial statements and the zakatable income are mainly due to provisions which are not allowed in the calculation of zakatable income.

(b) Income tax

The current year's provision is based on the following:

	2016 (SAR)	2015 (SAR)
Net income for the year	24,429,547	23,835,537
Add: Inadmissible expenses	6,634,059	10,115,983
Less : Admissible expenses	(6,325,168)	(6,669,277)
Adjustment of brought forward losses	(3,089,958)	(3,393,758)
Adjusted income	21,648,480	23,888,485
Adjusted income attributed to non Saudi shareholders	9,269,870	10,181,272
Provision for income tax (20%)	1,853,974	2,036,254

(c) Movement in zakat and income tax payable is as follows

	2016 (SAR)	2015 (SAR)
Opening balance of zakat and tax payable	14,271,442	10,552,927
Provided during the year	5,363,143	5,255,887
Payment made during the year	(3,568,691)	(1,537,372)
Closing balance of zakat and tax payable	16,065,894	14,271,442

(d) Status of assessments

The Company has filed tax and zakat declarations for the years ended 31 December 2008 to 31 December 2015 and the assessments for these years are still outstanding. The Company has filed appeals against the General Authority for Zakat and Tax (GAZT) assessments of additional zakat arising from disallowance of long term investments from zakat base for the years 2010, 2011, 2012 and 2013. The Company has accounted for the additional zakat provision in the financial statements, however has not paid the same

The Company is in the process of filing tax and zakat returns for the year ended 31 December 2016 with the GAZT.

22. Share Capital

The authorised and issued share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2015: SR 200 million divided into 20 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 13 million shares with a nominal value of SR 10 each, which represents 65% of the shares of the Company's capital and the remaining 7 million shares with a nominal value of SR 10 each have been subscribed by the public.

23. Premiums Written and Earned

	2016 (SAR)		
	Gross	Reinsurance share	Net
General insurance	686,334,653	(262,659,719)	423,674,934
Protection and saving insurance	149,937,377	(15,171,680)	134,765,697
Written premiums	836,272,030	(277,831,399)	558,440,631
Change in unearned premiums	(36,671,363)	(21,779,894)	(58,451,257)
Premiums earned	799,600,667	(299,611,293)	499,989,374

	2015 (SAR)		
	Gross	Reinsurance share	Net
General insurance	632,227,738	(324,593,426)	307,634,312
Protection and saving insurance	170,985,574	(18,249,643)	152,735,931
Written premiums	803,213,312	(342,843,069)	460,370,243
Change in unearned premiums	(133,721,673)	61,528,341	(72,193,332)
Premiums earned	669,491,639	(281,314,728)	388,176,911

24. General and Administrative Expenses

	2016 SAR		2015 SAR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	52,781,095	645,764	44,087,700	628,347
Consultation fees	7,625,692	2,253,300	5,193,256	-
Rent	3,227,386	-	3,051,289	-
Insurance expenses	2,408,887	-	2,479,113	-
Repairs and maintenance	2,204,677	-	2,026,155	-
Postage and telephone	1,575,837	-	1,277,401	-
Depreciation (note 13)	747,369	-	1,141,571	-
Advertisement and promotion	985,620	-	988,998	-
Travel and transportation	849,236	-	707,911	-
Board expenses	936,794	234,198	896,476	224,119
Others	2,517,564	-	8,683,173	-
	75,860,157	3,133,262	70,533,043	852,466

25. Related Party Transactions and Balances

Following are the details of related party transactions during the year ended 31 December 2016 and 31 December 2015 and the related affiliate's balances as at 31 December 2016 and 31 December 2015:

Related party	Nature of transaction	2016 SAR	2015 SAR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	90,301,473	70,825,634
	- Insurance premium ceded	98,361,666	133,918,675
	- Gross claims paid	42,479,386	9,306,071
	- Reinsurance share of claims paid	35,897,776	144,347,625
	- Commission expense	4,031,476	5,751,142
	- Commission income	8,663,209	46,342,448
	Other expenses		
	- Third party administrator (TPA) fees	7,691,263	6,950,083
Key management personnel	Remuneration and related expenses	6,233,575	5,822,217
Board members	Fees and related expenses	1,146,648	1,431,322

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of the Company. All Unit Linked investments and certain significant available for sale investments are managed by an affiliate, Saudi Fransi Capital.

Cash and cash equivalents include bank accounts, the majority of which are maintained with the shareholder of the Company, Banque Saudi Fransi.

The significant amounts with the related parties are included in the following balances as at the financial position date:

		2016 SAR	2015 SAR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Accrued expenses	5,708,440	7,476,053
	- Premiums receivable, net	57,937,612	20,183,990
	- Reinsurance balance payable	28,335,880	50,386,974
	- Outstanding claims	4,026,131	2,567,664

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Speciality AG, Allianz World Wide Care, Allianz Global Risks U.S Insurance, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Saudi Fransi Insurance Agency, Banque Saudi Fransi, Saudi Fransi Leasing Company, Saudi Next Care, Saudi Fransi Capital.

26. Claims Development Table

The following table reflects the net incurred claims including both the net claims notified and net incurred but not reported claims for each accident year (excluding the surrenders for protection and savings insurance products) at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfer much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims triangulation analysis by accident years for the last five years is set out below:

Claims triangulation analysis – Net basis

2016 Accident Year	2012 and earlier	2013	2014	2015	2016	Total
Estimate of ultimate claims cost:						
At the end of accident year	104,912,265	120,625,501	176,986,593	146,996,450	243,798,701	-
One year later	113,103,673	134,302,221	181,013,130	170,621,899	-	-
Two years later	113,744,848	133,421,984	182,180,151	-	-	-
Three years later	113,977,879	133,054,046	-	-	-	-
Four years later	117,419,311	-	-	-	-	-
Current estimate of cumulative net claims	117,419,311	133,054,046	182,180,151	170,621,899	243,798,701	847,074,108
Cumulative payments to date	(112,442,178)	(128,942,959)	(169,200,388)	(151,712,734)	(166,106,046)	(728,404,305)
Net liability recognised in statement of financial position	4,977,133	4,111,087	12,979,763	18,909,165	77,692,655	118,669,803

2015 Accident Year	2011 & Earlier	2012	2013	2014	2015	Total
Estimate of ultimate claims cost:						
At the end of accident year	102,653,482	104,912,265	120,625,501	176,986,593	159,682,017	-
One year later	119,446,266	113,103,673	134,302,221	182,004,757	-	-
Two years later	116,202,161	113,744,848	133,945,162	-	-	-
Three years later	116,309,857	114,145,785	-	-	-	-
Four years later	118,153,019	-	-	-	-	-
Current estimate of cumulative net claims	118,153,019	114,145,785	133,945,162	182,004,757	159,682,017	707,930,740
Cumulative payments to date	(113,600,273)	(111,737,049)	(127,747,377)	(169,143,744)	(113,281,266)	(635,509,709)
Net liability recognised in statement of financial position	4,552,746	2,408,736	6,197,785	12,861,013	46,400,751	72,421,031

Claims triangulation analysis – Gross basis

2016 Accident Year	2012 and earlier	2013	2014	2015	2016	Total
Estimate of ultimate claims cost:						
At the end of accident year	210,669,922	301,622,709	317,526,019	387,505,257	351,105,261	-
One year later	246,785,537	338,700,516	413,602,896	434,547,262	-	-
Two years later	247,242,919	332,078,904	427,654,012	-	-	-
Three years later	243,555,988	334,753,978	-	-	-	-
Four years later	252,403,710	-	-	-	-	-
Current estimate of cumulative claims	252,403,710	334,753,978	427,654,012	434,547,262	351,105,261	1,800,464,223
Cumulative payments to date	(235,053,646)	(307,000,158)	(324,140,371)	(336,083,456)	(212,056,440)	(1,414,334,071)
Net liability recognised in statement of financial position	17,350,064	27,753,820	103,513,641	98,463,806	139,048,821	386,130,152

2015 Accident Year	2011 and earlier	2012	2013	2014	2015	Total
Estimate of ultimate claims cost:						
At the end of accident year	256,352,762	210,669,922	301,622,709	317,526,019	449,800,635	-
One year later	286,638,053	246,785,537	338,700,516	443,384,718	-	-
Two years later	275,586,592	247,242,919	347,343,617	-	-	-
Three years later	277,301,199	267,827,461	-	-	-	-
Four years later	271,386,707	-	-	-	-	-
Current estimate of cumulative claims	271,386,707	267,827,461	347,343,617	443,384,718	449,800,635	1,779,743,138
Cumulative payments to date	(253,068,281)	(233,268,902)	(302,605,149)	(311,516,133)	(231,355,708)	(1,331,814,173)
Net liability recognised in statement of financial position	18,318,426	34,558,559	44,738,468	131,868,585	218,444,927	447,928,965

27. Basic And Diluted Earnings Per Share

	31 December 2016	31 December 2015
Net income for the year (SAR)	24,429,547	23,835,537
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share (SAR)	1.22	1.19

28. Premium Deficiency Reserves

During the year, the Company has created a provision in respect of premium deficiency reserves for its medical and motor business. The Company created this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the statement of financial position date.

29. Risk Management

Risk management strategy

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from the Company's core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed. Consideration is not limited to the risks associated with one class of business but is extended to risks from all other classes.

The Board of Directors and the senior management periodically reviews and updates the risk management strategy by taking into account developments that are internal and external to the Company.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

a) Operational/process risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

b) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands.

The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor and medical.

The Company monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by same party. 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 in Saudi Arabia only, hence, all the insurance risks relate to policies written in Saudi Arabia.

Protection and Saving

For Protection and saving, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group Protection and saving, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, for example employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual family and group Protection and Saving portfolio is protected through an efficient reinsurance arrangement in accordance with Allianz Group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the reinsurance arrangement which protects the Company from single large losses. Multiple claims and concentrations of risk are also covered under the arrangement.

General Insurance

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control the cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

Fire and burglary

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like floods, earthquakes, hailstorms, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

Public liability

For public liability insurance, the main risks are legal liabilities of the insured towards third party deaths, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the claims ratio would impact income annually in aggregate by:

Change in claim ratio	Effect on income	Effect on income
	2015 SAR	2014 SAR
+5%	18,823,207	13,896,215
-5%	(18,823,207)	(13,896,215)

c) Claims management risk

Claims management risk may arise within the company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

d) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a timely basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profile

The table below summarises the expected utilisation or settlement of assets and liabilities.

Maturity analysis on expected maturity bases		31 December 2016	
		Amount in SAR	
Insurance operations' assets	Current	Non - current	Total
Cash and cash equivalents	77,221,164	-	77,221,164
Prepayments and other assets	11,981,291	-	11,981,291
Reinsurance balances receivable	74,105,195	-	74,105,195
Premiums receivable	412,043,857	-	412,043,857
Available for sale investments	-	60,141,396	60,141,396
Unit linked investments	592,651,654	-	592,651,654
Deferred policy acquisition costs	22,089,024	-	22,089,024
Reinsurers' share of unearned premiums	236,460,497	-	236,460,497
Reinsurers' share of outstanding claims	267,460,349	-	267,460,349
Property and equipment	-	2,389,375	2,389,375
	1,694,013,031	62,530,771	1,756,543,802
Shareholders' assets			
Cash and cash equivalents	16,272,417	-	16,272,417
Prepayments and other assets	2,172,085	-	2,172,085
Due from insurance operations	18,772,461	-	18,772,461
Available for sale investments	-	180,253,582	180,253,582
Statutory deposit	-	20,000,000	20,000,000
Return on investment of statutory deposit	-	679,569	679,569
	37,216,963	200,933,151	238,150,114
Insurance operations' liabilities			
Accrued expenses and other liabilities	41,732,085	-	41,732,085
Reinsurance balances payable	218,754,741	-	218,754,741
Due to shareholders' operations	18,772,461	-	18,772,461
Premium deficiency reserves	6,077,722	-	6,077,722
Outstanding claims	386,130,152	-	386,130,152
Unit linked liabilities	593,706,572	-	593,706,572
Unearned commission income	11,951,608	-	11,951,608
Unearned premiums	459,257,288	-	459,257,288
Employees' end of service benefits	-	12,828,431	12,828,431
	1,736,382,629	12,828,431	1,749,211,060
Shareholders' liabilities			
Zakat and income tax payable	16,065,894	-	16,065,894
Deferred return on investment of statutory deposit	679,569	-	679,569
Accrued expenses and other liabilities	50,365	-	50,365
	16,795,828	-	16,795,828

Maturity analysis on expected maturity bases		31 December 2015	
		Amount in SAR	
Insurance operations' assets	Current	Non - current	Total
Cash and cash equivalents	55,244,050	-	55,244,050
Prepayments and other assets	12,589,673	-	12,589,673
Reinsurance balances receivable	29,468,288	-	29,468,288
Premiums receivable	291,417,048	-	291,417,048
Available for sale investments	-	59,303,915	59,303,915
Unit linked investments	586,968,627	-	586,968,627
Deferred policy acquisition costs	21,958,291	-	21,958,291
Reinsurers' share of unearned premiums	258,240,391	-	258,240,391
Reinsurers' share of outstanding claims	375,507,934	-	375,507,934
Property and equipment	-	1,776,096	1,776,096
	1,631,394,302	61,080,011	1,692,474,313
Shareholders' assets			
Cash and cash equivalents	1,565,454	-	1,565,454
Prepayments and other assets	2,508,050	-	2,508,050
Due from insurance operations	23,915,601	-	23,915,601
Available for sale investments	-	167,391,371	167,391,371
Statutory deposit	-	20,000,000	20,000,000
Return on investment of statutory deposit	-	476,815	476,815
	27,989,105	187,868,186	215,857,291
Insurance operations' liabilities			
Accrued expenses and other liabilities	38,140,389	-	38,140,389
Reinsurance balances payable	137,306,805	-	137,306,805
Due to shareholders' operations	23,915,601	-	23,915,601
Outstanding claims	447,928,965	-	447,928,965
Unit linked liabilities	592,851,492	-	592,851,492
Unearned commission income	15,230,473	-	15,230,473
Unearned premiums	422,585,925	-	422,585,925
Employees' end of service benefits	-	11,786,168	11,786,168
	1,677,959,650	11,786,168	1,689,745,818
Shareholders' liabilities			
Zakat and income tax payable	662,513	-	662,513
Accrued expenses and other liabilities	14,271,442	-	14,271,442
	14,933,955	-	14,933,955

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including premiums receivable. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

31 December 2016

Amount in SAR

	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Cash and cash equivalents	-	77,221,164	-	-	77,221,164
Reinsurance balances receivable	-	74,105,195	-	-	74,105,195
Premiums receivable	-	412,043,857	-	-	412,043,857
Available for sale investments	4,790,452	-	5,000,000	50,350,944	60,141,396
Unit linked investments	592,651,654	-	-	-	592,651,654
Reinsurers' share of outstanding claims	-	267,460,349	-	-	267,460,349
	597,442,106	830,830,565	5,000,000	50,350,944	1,483,623,615
Shareholders' assets					
Cash and cash equivalents	-	16,272,416	-	-	16,272,416
Due from insurance operations	-	18,772,461	-	-	18,772,461
Available for sale investments	7,732,353	-	74,428,360	98,092,869	180,253,582
Returns on investment of statutory deposit	679,569	-	-	-	679,569
Statutory deposit	20,000,000	-	-	-	20,000,000
	28,411,922	35,044,877	74,428,360	98,092,869	235,978,028
Insurance operations' liabilities					
Accrued expenses and other payables	-	41,732,085	-	-	41,732,085
Reinsurance balances payable	-	218,754,741	-	-	218,754,741
Due to shareholders operations	-	18,772,461	-	-	18,772,461
Outstanding claims	-	386,130,152	-	-	386,130,152
Unit linked liabilities	593,706,572	-	-	-	593,706,572
Employees' end of service benefits	12,828,431	-	-	-	12,828,431
	606,535,003	665,389,439	-	-	1,271,924,442
Shareholders' liabilities					
Accrued expenses and other liabilities	-	50,365	-	-	50,365
Deferred return on investment of statutory deposit	679,569	-	-	-	679,569
Zakat and income tax payable	-	16,065,894	-	-	16,065,894
	679,569	16,116,259	-	-	16,795,828

31 December 2015					
Amount in SAR					
	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Cash and cash equivalents	-	55,244,050	-	-	55,244,050
Reinsurance balances receivable	-	29,468,288	-	-	29,468,288
Premiums receivable	-	291,417,048	-	-	291,417,048
Available for sale investments	4,823,648	-	5,000,000	49,480,267	59,303,915
Unit linked investments	586,968,627	-	-	-	586,968,627
Reinsurers' share of outstanding claims	-	375,507,934	-	-	375,507,934
	591,792,275	751,637,320	5,000,000	49,480,267	1,397,909,862
Shareholders' assets					
Statutory deposit	20,000,000	-	-	-	20,000,000
Returns on investment of statutory deposit	476,815	-	-	-	476,815
Available for sale investments	12,392,465	16,587,500	70,645,099	67,766,307	167,391,371
Due from insurance operations	-	23,915,601	-	-	23,915,601
Cash and cash equivalents	-	1,565,454	-	-	1,565,454
	32,869,280	42,068,555	70,645,099	67,766,307	213,349,241
Insurance operations' liabilities					
Accrued expenses and other payables	-	38,140,389	-	-	38,140,389
Reinsurance balances payable	-	137,306,805	-	-	137,306,805
Due to shareholders operations	-	23,915,601	-	-	23,915,601
Outstanding claims	-	447,928,965	-	-	447,928,965
Unit linked liabilities	592,851,492	-	-	-	592,851,492
Employees' end of service benefits	11,786,168	-	-	-	11,786,168
	604,637,660	647,291,760	-	-	1,251,929,420
Shareholders' liabilities					
Accrued expenses and other liabilities	-	662,513	-	-	662,513
Zakat and income tax payable	-	14,271,442	-	-	14,271,442
	-	14,933,955	-	-	14,933,955

f) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.

- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise of debt securities and Sukuk. The Company does not have an internal grading mechanism for debt securities. The Company limits its credit risk on debt securities by setting out a minimum acceptable security rating level for such investments.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 29% of premium receivable as at 31 December 2016 (2015: 34%).

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2016 SAR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	412,043,857	-	412,043,857
Reinsurance share of outstanding claims	267,460,349	-	267,460,349
Cash and cash equivalents	77,221,165	16,272,416	93,493,581
Reinsurance balances receivable	74,105,195	-	74,105,195
Available for sale investments	60,141,396	180,253,582	240,394,978
Statutory deposit	-	20,000,000	20,000,000
Returns on investment of statutory deposit	-	679,569	679,569
	890,971,962	217,205,567	1,108,177,529

	2015 SAR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	291,417,048	-	291,417,048
Reinsurance share of outstanding claims	375,507,934	-	375,507,934
Cash and cash equivalents	55,244,050	1,565,454	56,809,504
Reinsurance balances receivable	29,468,288	-	29,468,288
Available for sale investments	59,303,915	167,391,371	226,695,286
Statutory deposit	-	20,000,000	20,000,000
Returns on investment of statutory deposit	-	476,815	476,815
	810,941,235	189,433,640	1,000,374,875

g) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its bank balances and available for sale- debt securities.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the profit for one year, based on the floating rate financial assets held at 31 December 2016. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2016 would impact special commission income by approximately SR 485,000 (2015: SR 350,000) annually in aggregate.

h) Currency risk

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 fluctuation as the majority of monetary

assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

i) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company is not exposed to fund price risk since any change in the NAV of the funds will affect the change in mathematical reserve and the change in the fair value of the funds by the same amount; hence, there is no impact on the performance of the Company.

j) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business experience with the reinsurers.

k) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest 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 market risk exposure relates to its quoted available for sale investments whose values will fluctuate as a result of changes in market prices. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact shareholders' equity and insurance operations' accumulated surplus as set out below:

	Change in market price	Effect on statement of changes in shareholders' equity	Effect on insurance operations accumulated surplus
2016	%+1	1,150,305	601,414
	%-1	(1,150,305)	(601,414)
2015	%+1	1,091,682	593,039
	%-1	(1,091,682)	(593,039)

l) Capital management

Objectives are set by the Company to maintain stable capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

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. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

l) 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 in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and financial liabilities are not materially different from their carrying values at the statement of financial position date.

30. Contingencies And Commitments

a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 3,505,996 for the year ended 31 December 2016 (2015: SR 3,344,075) are recognised in the statement of insurance operations.

31. Segment Information

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' cash and cash equivalents, prepaid expenses, due from shareholders' operations and property and equipment. Accordingly they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, employees' end of service benefits, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

Operating segments

Following are the operating segments identified for segment reporting purposes;

Motor	:	Motor corporate and motor individual
Engineering	:	Construction
Medical	:	Medical
Property	:	Fire, Burglary and Money
Other general	:	Liability and Marine
Protection & Saving	:	Group Retirement & Individual Protection & Saving

For the year ended 31 December 2016	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Total
Saudi Riyals							
Gross written premiums	298,980,060	73,982,750	123,833,665	125,188,188	64,349,990	149,937,377	836,272,030
Reinsurance premiums ceded	(4,272,356)	(60,877,894)	(56,664,499)	(102,212,348)	(38,632,622)	(15,171,680)	(277,831,399)
Net written premiums	294,707,704	13,104,856	67,169,166	22,975,840	25,717,368	134,765,697	558,440,631
Net premiums earned	248,710,953	14,755,083	52,619,976	24,675,355	23,771,269	135,456,738	499,989,374
Unrealised gain on unit linked investments	-	-	-	-	-	14,597,069	14,597,069
Net claims incurred	(208,159,316)	(1,006,799)	(35,667,256)	(796,282)	(2,252,936)	(128,581,549)	(376,464,138)
Change in premium deficiency reserves	(5,315,543)	-	(762,179)	-	-	-	(6,077,722)
Change in unit linked reserves	-	-	-	-	-	(855,080)	(855,080)
Commission (expenses)/income, net	(17,518,963)	(5,982,016)	(5,595,850)	2,973,626	(831,701)	(4,424,579)	(31,379,483)
Inspection and supervision fees	(1,494,900)	(369,914)	(619,168)	(625,941)	(1,565,355)	(749,687)	(5,424,965)
Net underwriting results	16,222,231	7,396,354	9,975,523	26,226,758	19,121,277	15,442,912	94,385,055
Other Income	-	-	-	-	-	-	7,995,488
General and administrative expenses	-	-	-	-	-	-	(75,860,157)
Net surplus for the year	-	-	-	-	-	-	26,520,386
Retained in insurance operations	-	-	-	-	-	-	(2,652,039)
Shareholders' total revenue	-	-	-	-	-	-	3,694,462
General and administrative expenses	-	-	-	-	-	-	(3,133,262)
Net income for the year							24,429,547

At 31 December 2016	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Total
Saudi Riyals							
Insurance Operations' Assets							
Reinsurers' share of unearned premiums	293,920	132,206,909	29,100,130	37,235,341	30,898,109	6,726,088	236,460,497
Reinsurers' share of outstanding claims	3,785,367	114,046,361	20,185,536	54,463,180	69,054,877	5,925,028	267,460,349
Deferred policy acquisition costs	11,636,494	3,487,406	1,948,609	3,740,909	1,822,035	(546,429)	22,089,024
Premiums receivable, gross	110,232,068	92,593,267	71,187,083	33,128,003	133,147,577	11,089,626	451,377,624
Provision for doubtful debts	-	-	-	-	-	-	(39,333,767)
Unit linked investments	-	-	-	-	-	592,651,654	592,651,654
Unallocated assets	-	-	-	-	-	-	225,838,421
Shareholders' assets	-	-	-	-	-	-	238,150,114
Total assets							1,994,693,916
Insurance Operations' Liabilities							
Unearned premiums	152,166,570	142,561,943	67,209,116	47,011,526	39,091,363	11,216,770	459,257,288
Outstanding claims	78,417,405	118,455,997	40,371,072	60,418,188	78,217,580	10,249,910	386,130,152
Unearned commission income	45,558	6,121,791	-	4,143,671	1,334,715	305,873	11,951,608
Unit linked reserves	-	-	-	-	-	593,706,572	593,706,572
Unallocated liabilities and surplus	-	-	-	-	-	-	305,498,182
Shareholders' liabilities and equity	-	-	-	-	-	-	238,150,114
Total Insurance Operations liabilities, surplus and Shareholders' liabilities and equity							1,994,693,916

For the year ended 31 December 2015	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Total
Saudi Riyals							
Gross written premiums	198,978,471	107,241,651	103,135,375	142,997,483	79,874,758	170,985,574	803,213,312
Reinsurance premiums ceded	(4,300,962)	(90,292,706)	(54,005,705)	(115,310,768)	(60,683,285)	(18,249,643)	(342,843,069)
Net written premiums	194,677,509	16,948,945	49,129,670	27,686,715	19,191,473	152,735,931	460,370,243
Net premiums earned	147,204,144	14,862,309	28,392,385	25,280,733	21,712,718	150,724,622	388,176,911
Unrealised gain on unit linked investments	-	-	-	-	-	675,883	675,883
Net claims incurred	(118,291,609)	(1,377,847)	(18,026,727)	(1,665,437)	(9,192,909)	(129,369,775)	(277,924,304)
Premium deficiency reserves	-	-	-	-	-	-	-
Change in unit linked liabilities	-	-	-	-	-	772,420	772,420
Commission earned / expenses, net	(11,497,736)	3,860,106	(2,967,088)	(5,401,961)	(399,457)	(3,686,988)	(20,093,124)
Inspection and supervision fees	(994,892)	(536,208)	(515,677)	(714,987)	(1,430,729)	(854,928)	(5,047,421)
Net underwriting results	16,419,907	16,808,360	6,882,893	17,498,348	10,689,623	18,261,234	86,560,365
Other income	-	-	-	-	-	-	6,448,057
General and administrative expenses	-	-	-	-	-	-	(70,533,043)
Net surplus for the year	-	-	-	-	-	-	22,475,379
Retained in insurance operations	-	-	-	-	-	-	(2,247,538)
Shareholders' total revenue	-	-	-	-	-	-	4,460,162
General and administrative expenses	-	-	-	-	-	-	(852,466)
Net income for the year							23,835,537

At 31 December 2015	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Total
Saudi Riyals							
Insurance Operations' Assets							
Reinsurers' share of unearned premiums	354,223	145,093,569	24,448,002	41,819,646	38,706,130	7,818,821	258,240,391
Reinsurers' share of outstanding claims	3,459,501	138,691,916	10,337,171	119,351,242	94,948,303	8,719,801	375,507,934
Deferred policy acquisition costs	8,099,959	4,399,526	2,974,541	4,341,583	1,635,144	507,538	21,958,291
Premium receivable, gross	80,013,734	74,916,783	54,681,746	28,761,133	75,209,785	19,014,356	332,597,537
Provision for doubtful debts	-	-	-	-	-	-	(41,180,489)
Unit linked investments	-	-	-	-	-	586,968,627	586,968,627
Unallocated assets	-	-	-	-	-	-	158,382,022
Shareholders' assets	-	-	-	-	-	-	215,857,291
Total assets							1,908,331,604
Insurance Operations' Liabilities							
Unearned premiums	106,230,121	157,098,831	48,007,799	53,295,345	44,953,285	13,000,544	422,585,925
Outstanding claims	35,600,929	143,653,912	20,674,343	127,367,813	106,713,700	13,918,268	447,928,965
Unearned commission income	53,846	2,890,884	-	9,865,027	2,053,766	366,950	15,230,473
Unit linked liabilities	-	-	-	-	-	592,851,492	592,851,492
Unallocated liabilities and surplus	-	-	-	-	-	-	213,877,458
Shareholders' liabilities and equity	-	-	-	-	-	-	215,857,291
Total Insurance Operations liabilities, surplus and shareholders' liabilities and equity							1,908,331,604

Geographical segments

The Company, during the years 2016 and 2015 operated only in the Kingdom of Saudi Arabia.

32. Comparative Figures

Certain items of prior year amount have been reclassified to conform to the presentation in the current year.

33. Approval of the Financial Statements

These financial statements have been approved by the Board of Directors on 19 Jumada Al-Awwal 1438H, corresponding to 16 February 2017 G.

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